

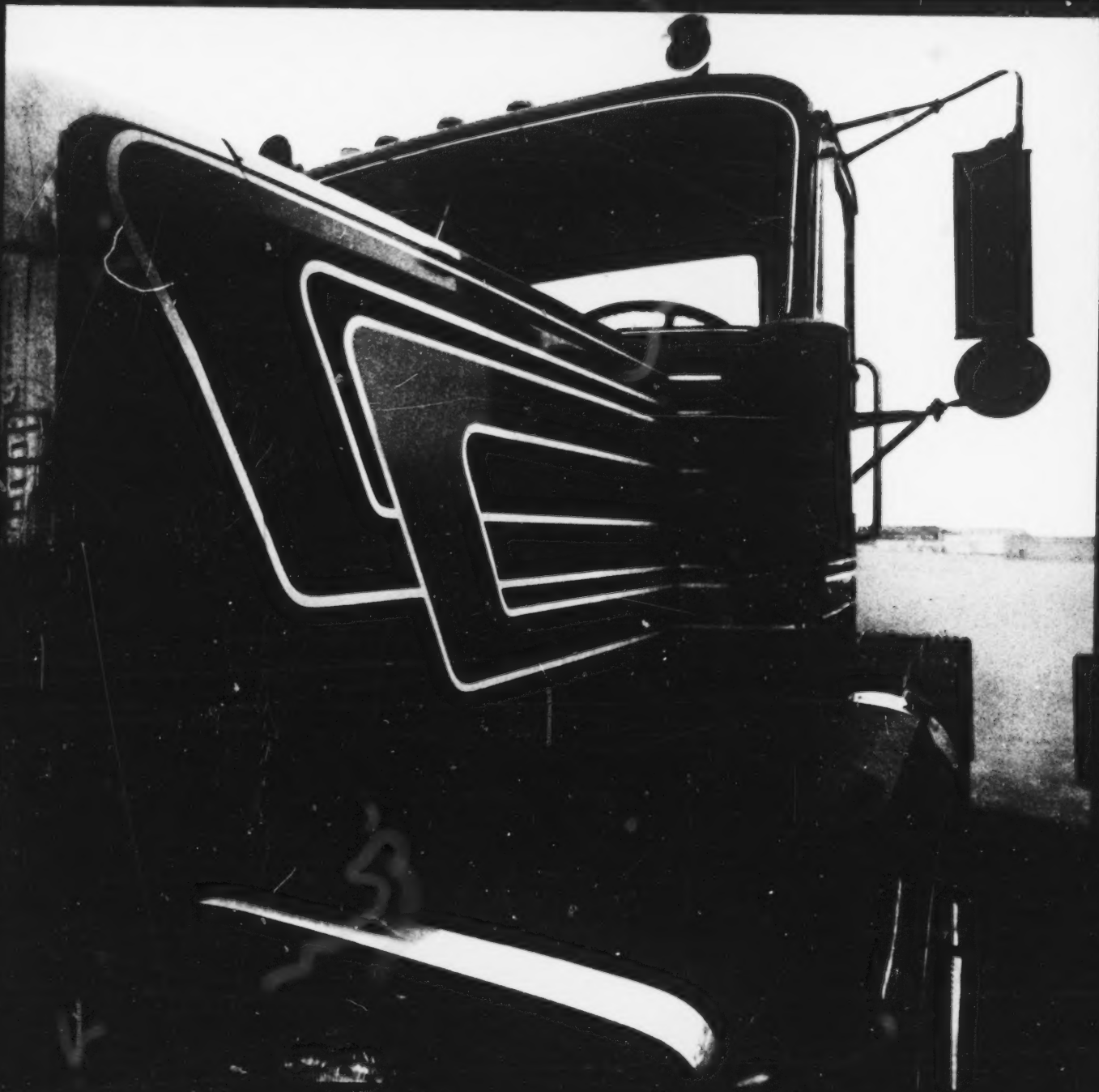
1979

Financial Analysis of the Motor Carrier Industry



UNITED
CALIFORNIA
BANK

John F. Macon II



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United California Bank
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Donald Tender



Walter F. Carey

Message from ATA

Year after year, the trucking industry has grown and prospered and with this growth we have seen the parallel economic development of the nation. It is no secret that the two are linked. As the trucking industry has matured, the financial community has gained a better understanding of the real economic importance of this industry.

Our purpose in publishing these reports always has been the desire to stimulate interest by the financial community in the motor carrier industry, an interest that has grown to a very gratifying degree. The report also serves those interested in transportation and the economy in general. The economic situation of the motor carrier industry is a true reflection of the overall economic picture.

Through the years, financial and banking interests studying the trucking industry have shown a greater insight into the true nature of trucking in the economy—not only as an industry which moves the majority of the goods in America, but as an industry which employs millions of people and is in itself a major consumer. The annual purchases of vehicles, tractor and trailer components, tires, fuels, glass, paints, materials handling equipment, computer and communication networks and a wide range of goods and services necessary to keep trucks serving the nation make a significant contribution to the Gross National Product. In addition, the trucking industry is a sizeable contributor through various taxes to the building and maintenance of the highways of the United States.

As in the past, the report reviews the financial results of Class I and II motor carriers of general commodities and special commodity carriers with annual revenues over \$1 million dollars for the previous calendar year, in this case 1978.

The author of this year's analysis, John Macon—Vice President, United California Bank, is well qualified to interpret the trucking industry's financial data and we appreciate the talent and dedication he has brought to this assignment.

A review by a security analyst specialized in the industry supplements the banker's analysis. This review reflects on the performance of the industry's publicly held companies in 1978 and early 1979 with observations on future performance. We wish to thank Andras Petery, Vice President with Morgan Stanley & Co. who prepared this supplement.

We appreciate the role of the Union 76 Division of the Union Oil Company of California in publishing the analysis as its ATA Foundation project.

Donald Tender
Managing Director and Controller
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American Trucking Associations, Inc.

Message from ATA Foundation

The ATA Foundation is pleased and proud that the Union 76 Division, Union Oil Company of California, has chosen to sponsor the printing and distribution of the 1979 Financial Analysis of the Motor Carrier Industry as its ATA Foundation project.

The gathering, analysis and publication of economic data and financial information about the motor carrier industry is not only of inestimable help to motor carrier executives but also to bankers, security analysts and others deeply interested in up-to-date information on motor freight carriage.

The past year has witnessed continued large-scale increases in the price of fuel, trucking's lifeblood, as well as disruptions in truck service by certain segments of trucking.

From this has come some irrefutable facts. First, that the regulated trucking industry is dedicated to continued movement of freight and second, that it is an industry which treats its obligation to serve with the utmost respect.

In addition, the trucking industry, through wise executive management has demonstrated a flexibility and resiliency which have enabled it to overcome unusual difficulties, render a high level of service to its customers, and hold down its prices so

that they are among the least inflationary in the American economy, and yet return a modest profit to owners and stockholders of companies.

The trucking industry has also taken seriously the warnings that fuel must be conserved and did this long before this past year's fuel crisis.

Truck fleets have honed their operating practices so that precious fuel is used most efficiently. Many regulated carriers are cooperating in industry-sponsored programs to exchange information on freight movements so that trailers can be fully loaded and empty-backhauls reduced even further than they are now.

The progress we have seen has been made possible by an industry that is organized, is efficient and can profit from economies of size; something that simply would not be achievable under widespread deregulation of transportation.

It is hoped the information presented between the covers of this report will underscore the benefits of a trucking industry which well serves a public that is guaranteed good service at proper prices under wise economic regulation.

Accurate information and its analysis and use is one of the basic needs of efficient management. Union 76, by sponsorship of this financial and economic data, has made a significant contribution to the trucking industry for which we are all grateful.

Walter F. Carey
Chairman
ATA Foundation

Chairman, Finance Committee
T.I.M.E.-D.C.

Past Chairman
American Trucking Associations, Inc.



William S. McConnor

Message from Union Oil Company of California

Mark Twain once wrote: "There are two times in a man's life when he should not speculate: when he can't afford it and when he can." Today, there is much speculation about our energy future that we cannot afford. Instead, we must understand the relationship of today's actions on future environments, decide what future is desirable and take steps to encourage the realization of that future. Not to do so would be courting disaster.

In the 1980s, the trucking industry is expected to grow faster than our gross national product. A bright future? Yes—but one that can only be realized if we take certain actions today to make this future come about. Our nation's economic prosperity is inexorably tied to future energy supplies. Without sound energy planning, our economic future is clouded.

In planning, though, we must avoid adopting short-term policies which may have long-term negative consequences. There is no quick fix, the problems will not go away with some magic solution. Even if we now go about doing all the right things instead of the wrong things, we are still facing many years of tight or even perilous supply.

Faced with the realities of our energy problems, our nation has continued to muddle along and engage in acrimonious and essentially meaningless bickering over a myriad of side issues that have no bearing on the solution to the basic problem.

We hear charges that the oil companies are hiding gasoline, that they have contrived the energy shortage. But every independent investigation of energy supply problems has discredited this myth.

Now is the time to put this rhetoric behind us and get on with the task of developing secure energy supplies to run our trucks and cars and heat our homes. The future of the trucking industry depends upon how well companies like mine can do their job.

Even with the realization of a need for concerted action, we still have institutional barriers. A decade of federal controls has done nothing to solve our supply problem. Yet additional barriers are being proposed.

The so-called "windfall profits tax" is an example. It is not a tax on profits, but rather an excise tax, or severance tax, levied on each producing property whether or not there is a profit. Under current law, government already takes 60 percent of any real increases in revenues.

The issue is whether 40 percent under present taxes or 20 to 25 percent under added taxes is left to produce new oil and gas. Under existing taxes, an added two million barrels a day of domestic oil can be produced for Americans by the mid-1980s. With the proposed new tax, a million barrels a day will be lost. Is this the type of concerted, unified action we need to insure future energy supplies? I think not.

I do not mean to imply that all of our problems are insurmountable or that nothing is being done.

The need for positive action is recognized. We are heartened by President Carter's statement that there exists a need to "cut through the red tape, the delays and endless roadblocks to completing key energy projects." Certainly, a fast track permitting procedure currently being considered will be most welcomed and be of great assistance in developing future energy supply.

Further, we should continue to encourage alternate sources of energy, and we must create new forms of energy. We need to develop tar sands, shale oil and geothermal.

We must promote safe nuclear energy and maximize the use of coal in generating electricity. We must conserve. The use of liquid fuels for power generation must be discouraged. These fuels should be conserved so that they may be put to better use for transportation.

Only if these and similar actions are taken today can we ever hope to have a positive influence on tomorrow's outcomes. Only by initiating necessary actions today and solving our mutual problems today can industry and our nation be assured of adequate energy supply tomorrow.

If we do nothing, then truly all any of us will ever be able to do about tomorrow is speculate in the truest sense of the word.

William S. McConnor
Senior Vice President
Union Oil Company of California
and President, Union 76 Division



John F. Macon, II

The Author

This 1979 Financial Analysis is authored by John F. Macon, II, Vice President and Manager of the specialized Transportation and Utilities Department of United California Bank, a bank noted for its long involvement with the motor carrier industry. A commercial banker, Mr. Macon joined the department he now manages in 1972, and has been an active participant in financing the motor carrier industry since that time.

A graduate of the University of Virginia's McIntire School of Commerce, Mr. Macon served for five years as an officer in the United States Air Force. His background includes executive positions with Francis I. DuPont (Toronto, Ont.), Eastern States Bankcard Association, and Chemical Bank. He is a member of the Western Highway Institute and an active member of the National Accounting and Finance Council of the American Trucking Associations, Inc. and serves on its Financial Relations Committee.

This is the third Financial Analysis that United California Bank has been privileged to author in the 29-year history of the publication. United California Bank is pleased to present this analysis to an industry it has been proud to serve, and welcomes your comments and your inquiries.

Acknowledgements

The author thanks Don Tender, Ron Roth, Mary DeLaney and the staff of the American Trucking Associations for their assistance and guidance in the preparation of this analysis.

Technical assistance was rendered by several departments within United California Bank. The author wishes to express his gratitude to the staffs of the Research and Planning Division and the Advertising Department for their efforts and contributions. In addition, special thanks is due Edward Eyre for his continued support and counsel which is greatly appreciated.

The author owes a debt of gratitude to the authors of the previous Analyses whose past efforts have provided much of the framework of this Financial Analysis of the Motor Carrier Industry: 1979.

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General State of the Industry: Review and Outlook

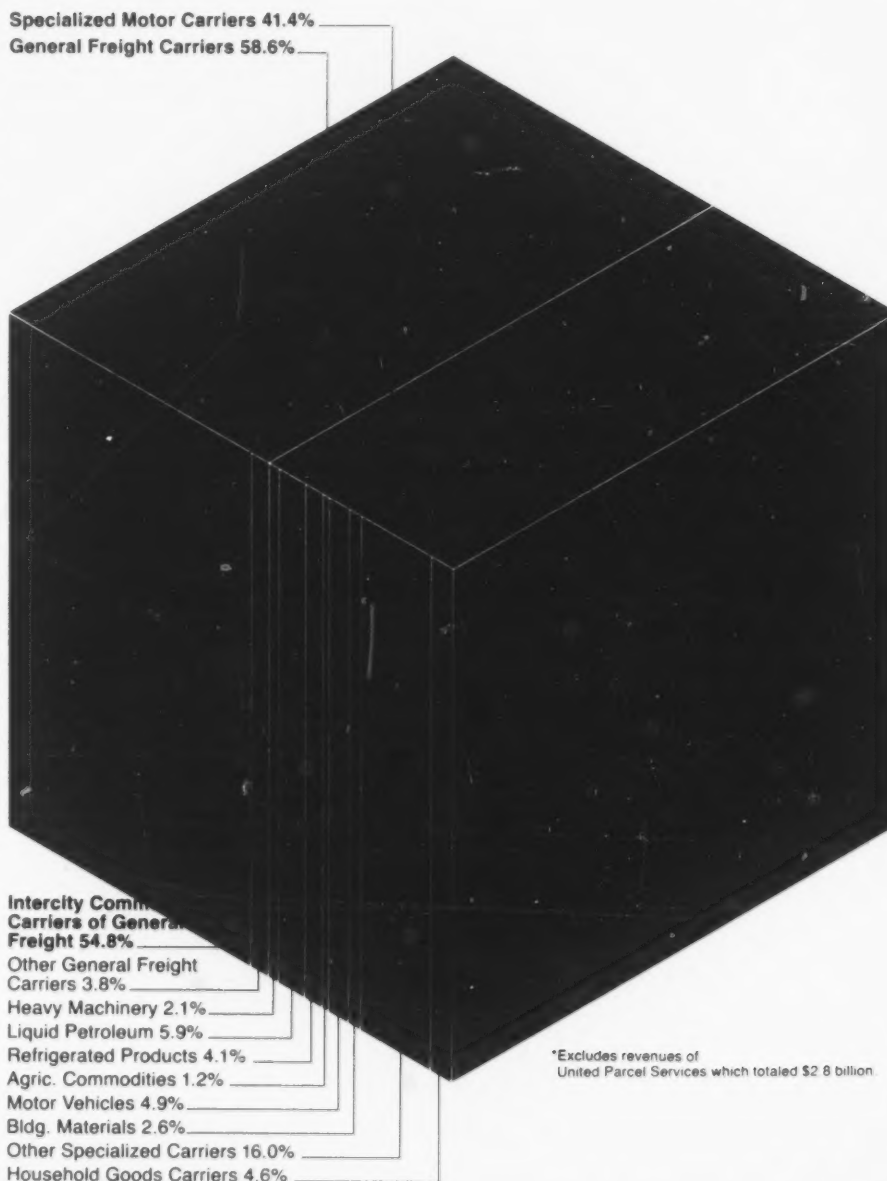
Overall, 1978 was a good year for the Motor Carrier Industry. The Industry set records in revenues, tonnage hauled, and reported satisfactory earnings. Additionally, adequate liquidity and balance sheet strength were maintained, although slightly weakened from the previous year. A brief review of the 1978 economic environment in which the motor carriers operated is helpful, in order to place their performance into a proper perspective.

The year began with severe weather conditions and a coal miner's strike adversely affecting the U.S. economy. Consequently, economic activity was down in the early part of the year. Under these conditions, the Motor Carrier Industry reported a decline in earnings for the first quarter. With milder weather and the strike settled by the second quarter, the pace of economic activity increased rapidly, and the Motor Carrier Industry responded to this expansion with significant increases in revenues and earnings. The economy simmered down to a more normal speed in the latter half of the year and again the Industry reflected the economic pace. For the year, the Gross National Product (GNP), in real terms, increased at an annual rate of 4½%. Industrial production, spending for plant and equipment, business sales, and corporate profits after taxes increased satisfactorily over the previous year's levels.

Inflation rates, however, exceeded expectations and the consumer price index increased 7.7% over 1977. Inflationary pressures contributed to higher costs for fuel, labor, and equipment, and directly affected the motor carriers. Interest rates rose significantly with numerous changes in the bank prime rate from 7¾% in January to 11¾% in December.

Distribution of Revenue by Type of Carrier—1978*

Figure 1



Within this economic framework, revenues for the entire Motor Carrier Industry were up by an estimated 17.7% over 1977 to an estimated \$36.5 billion. The particular Class I and II carriers, on which this year's Financial Analysis focuses, accounted for about 75% of the total. The bar chart (see Figure 1) displays the distribution of revenues in 1978 for all Class I and II regulated carriers by carrier group. In 1978, the general freight carriers accounted for 58.6% of revenues and specialized (special commodity) motor carriers, in total, the remaining 41.4%. Intercity tonnage (see Figure 2) increases for Class I and II carriers was satisfactory in 1978 as general freight carriers scored a gain of 5.4% over 1977.

Figure 3 shows the year-to-year percent changes of the Class I and II regulated carriers' results of operations. Revenues were up 17.1%, but in large measure this reflected rate increases granted by the ICC, which recouped the effect of inflation upon wages, fuel, parts, and other costs. However, the resulting operating ratio of 94.7% was approximately the same satisfactory level of 1977. Interest expenses were up, increasing by 39% due to higher interest rates and higher debt levels. The high interest rates, plus the higher cost of revenue equipment, resulted in motor carriers relying more heavily on purchased transportation than in previous years. Net income after taxes was up 15.3%, and as a percent of revenues amounted to 3%. While this performance was favorable, the Class I and II motor carriers did not outperform the

average nationwide increase of 16.3% in profits after taxes reported in 1978 by all corporations.

Although the Motor Carrier Industry entered 1979 in a relatively healthy position, the year began with problems which impacted the economy during the first quarter of 1979. Again, bad weather, while not as severe as in the first quarter of 1978, created delays in transportation and delivery and caused shutdowns in factories, as well as causing damage to crops in various parts of the country. Food prices increased and set the stage for higher rates of inflation. GNP growth, in real terms, for the first quarter was a modest 1.1% increase.

Figure 2

Class I and II Intercity Carriers of General Freight Seasonally Adjusted Monthly Truck Tonnage Index

Final Seasonally Adjusted Series

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1957	69.9	69.8	69.3	68.2	66.5	66.6	67.2	67.7	68.0	65.4	65.8	62.5
1958	61.9	60.7	60.2	59.5	60.4	62.6	62.5	61.0	64.3	66.8	69.1	70.2
1959	69.8	71.6	73.0	74.3	75.5	74.0	74.3	70.9	72.2	71.1	71.9	77.3
1960	76.2	75.7	73.8	73.4	72.6	72.1	70.9	70.6	73.0	70.8	68.7	67.7
1961	68.2	67.5	68.5	69.9	71.1	72.8	72.5	75.2	75.6	77.3	78.1	78.4
1962	78.8	78.2	78.7	78.4	78.4	79.0	81.7	80.9	82.3	82.3	83.7	81.7
1963	81.8	83.2	83.4	83.9	84.3	84.6	84.7	85.8	85.7	86.2	83.6	85.8
1964	86.2	87.1	85.6	88.5	89.5	88.2	89.7	90.1	91.5	90.9	92.7	97.4
1965	93.2	94.4	98.3	97.9	97.6	97.0	97.4	97.0	97.9	99.4	101.4	102.8
1966	103.3	103.2	104.1	105.4	105.7	107.5	105.7	107.4	107.0	107.0	105.6	104.9
1967	102.9	103.0	101.4	92.7	98.3	99.8	97.8	101.4	99.3	99.5	102.9	104.0
1968	104.8	105.1	104.7	106.9	108.1	106.5	109.8	107.3	107.6	109.5	109.2	107.8
1969	109.8	111.6	113.1	113.7	114.2	113.7	113.9	113.8	116.3	116.5	114.6	113.1
1970	114.6	118.2	116.8	83.3	101.6	108.2	115.8	117.2	115.7	113.3	109.8	118.2
1971	117.1	121.1	122.7	125.1	129.3	127.9	129.8	127.8	123.6	120.7	124.6	124.5
1972	127.5	126.8	128.6	133.3	133.1	133.3	131.3	136.5	138.6	143.8	148.7	154.0
1973	154.6	158.2	162.6	162.7	163.8	162.9	162.1	162.3	162.9	166.8	172.0	169.4
1974	170.6	166.2	164.9	160.0	159.3	159.1	155.8	151.4	151.3	150.7	143.1	134.7
1975	130.0	128.4	122.3	126.3	124.4	128.3	130.4	136.1	136.5	137.5	138.9	142.6
1976	144.5	148.0	150.4	144.6	154.5	152.9	154.5	155.3	155.6	154.9	157.6	155.4
1977	161.0	163.2	163.4	164.6	164.8	165.4	167.3	167.2	166.5	166.8	168.7	172.8
1978	163.6	174.7	176.1	191.4	181.2	178.4	177.6	179.1	184.9	189.4	188.6	196.2
1979	196.9	199.5	205.4	142.8	183.1	187.9	183.3	169.7	176.8			
AVGE	108.6	109.8	110.1	109.3	110.6	110.9	111.5	111.9	112.6	113.1	113.6	114.8

Table Total—29407.7 Mean—111.4 Std. Deviation—35.2

The second quarter was worse with the GNP declining by the sizable rate of 2.3% in real terms. Several major factors contributed to this downturn, and these factors were especially significant to the Motor Carrier Industry. In April, there was a ten-day strike against the trucking industry, primarily the general freight carriers, by the International Brotherhood of Teamsters, which led to the cutting off of supplies needed in many important industries. A new three-year contract was agreed upon by Trucking Management, Inc., and the Teamsters on April 10th. The total additional cost of this agreement (including cost-of-living increases calculated at 8.5%

annually), would approximate 31% over the life of the contract. The agreement, while establishing stability, had an immediate effect of a 10.1% increase in labor costs for those carriers affected. Although data is not available for non-union employees, it can be assumed that the majority also received substantial increases.

Another negative factor affecting both the economy, in general, and the Motor Carrier Industry, specifically, was the fuel shortage resulting from the shutdown of oil production in Iran, plus an increase in the OPEC oil prices. This was accompanied by a slowdown in consumer spending and an escalation in fuel prices throughout the

country. In some areas, considerable administrative time was spent by motor carrier executives insuring adequate fuel supplies. In June, the ICC issued an order allowing regulated carriers to recapture skyrocketing costs of fuel, through surcharges which could be filed on a 24-hour notice basis. While the regulated motor carriers were able to pass on most of the increased fuel costs (especially those carrying truckload shipments), via surcharges, the higher overall rates may have resulted in a small number of shippers resorting to private carriage or to other modes of transportation.

Figure 3
Results of Operations—1978 vs. 1977 of Class I and II
Federally Regulated Motor Carriers of Property*

(Percent changes in Operating Revenues and Other Financial & Operating Statistics)		Operating Revenues	Total Operating Expenses	Interest Expense	Income Taxes	Net Income	Total Vehicle Miles	Total Tons of Revenue Freight
U.S. Total	% change	17.1	17.1	39.0	10.7	15.3	8.4	5.4
General Freight Total	% change	17.2	17.5	36.9	9.8	13.4	9.0	7.9
Carriers of Specialized Commodities								
(Except Household Goods)—Total	% change	17.3	16.9	40.9	19.3	20.8	4.0	4.2
Heavy Machinery	% change	25.3	19.7	35.0	30.9	34.7	7.4	12.7
Liquid Petroleum	% change	14.7	13.8	31.1	16.1	33.7	5.7	0.7
Refrigerated Products	% change	11.3	11.0	36.9	36.5	9.4	3.2	3.3
Agricultural Commodities	% change	21.6	20.8	69.3	1.5	34.2	16.0	15.9
Motor Vehicles	% change	21.8	21.2	46.3	39.0	20.0	11.1	3.2
Building Materials	% change	21.5	20.9	54.6	(5.0)	38.3	12.9	8.4
Other Specialized Carriers	% change	17.1	17.1	40.5	15.0	13.3	8.9	5.5
Household Goods Carriers	% change	13.4	14.3	46.5	(51.1)	(25.2)	2.6	6.0

Source: Financial and Operating Statistics Full Year 1978-77. Based on Quarterly reports (Form QFR) to the ICC.

Note: Parenthesis indicate decreases. *Excludes results of United Parcel Services.

By the third quarter of 1979, there was almost a consensus belief that the economy was in a recession, but the reaction to such a conclusion brought about new problems as well as constructive developments. The reaction to recession fears in the third quarter caused many businesses to trim inventories, and auto makers to liquidate their stock of large cars. The dollar declined precipitously in the international exchange markets, reflecting concern about a possible recession and record rates of inflation of 10% to 13% which had persisted throughout the year. The Federal Reserve twice increased the discount rate to a record 12%, forcing all short-term rates to rise to all-time high levels in an effort to slow inflation. For the year 1979, it is presently estimated that real GNP will post an increase of only 1.5%. Business sales will show an advance of 11.5% and profits after taxes an increase of 14%.

Industry data for the motor carrier industry for the first half of 1979 has already been tabulated. During the first quarter, ICC regulated Class I and II motor carriers registered gains in revenues and intercity tonnage over the comparable quarter of 1978, and reported a healthy 36.5% increase in net carrier operating income. This rather favorable performance primarily reflected less disruptive effects of weather on operations than in the early part of 1978.

The second quarter performance, however, was far less impressive. Tonnage was down 3% from the comparable quarter of 1978 due to the work stoppage in

connection with the Teamsters' strike. The carriers reported a slight growth in revenues, but due to increased costs, especially in wages and fuel, net carrier operating income declined 49% in comparison to 1978's second quarter.

The earnings outlook for the motor carrier industry for the remainder of 1979 is clouded by uncertainties. Prospects for the economy suggest that tonnage increases will not match those recorded in the latter half of 1978. Labor costs, affected by the new Teamsters' contract, have taken a sharp jump, and fuel prices are climbing rapidly compared to the relative stability of 1978. Rising interest rates will also adversely affect results.

The adequacy and timing of rate increases will be of significant importance. A major uncertainty, which could adversely affect margins, is the attempt by the ICC to enforce a new standard for judging rate requests by substituting a return on equity standard for the current operating ratio method. Should this take effect, the overall result would be smaller rate increases, putting further strain on an industry in which many individual carriers already have limited access to financial and debt markets, as well as very slim profit margins. Finally, uncertainty exists in the industry regarding legislative and ICC attempts to change the motor carrier industry's regulation. In an industry where there seems to be little opportunity to increase productivity, this uncertainty hampers planning and undermines the ability of lenders and investors to adequately measure risk. The industry in general is opposed to any extreme changes in current regulation and the fact that the industry has grown to its present size and relative stability within the framework of the Motor Carrier Act of 1935, appears to support this posture.

The Act was designed to protect the public interest by providing a reliable and orderly transportation system with the ICC having jurisdiction over right of entry, rates, routes, cargoes, mergers and acquisitions, accounting practices, and financing. The ultimate changes in the Act are not yet known; however, current proposals to reform the industry include easier entry into the industry, the elimination of rate making by the bureaus, and the elimination of barriers between for-hire and private trucking. It is likely that some form of deregulatory bill will be in final form by mid-1980. The ICC has already adopted some policy changes in an attempt to lessen control over the industry. The Commission reaffirmed an order in November, 1978 that private carriers can offer for-hire service. The order has not yet gone into effect and the industry is attempting in Federal Court to have it overruled. The ICC is also considering whether to allow intercorporate hauling by different companies under common ownership which it currently prohibits. The final determination of these aspects will have an important effect on the industry's future.

Other concerns facing the Motor Carrier Industry include weight limits, the Highway Trust Fund, the fuel cost/speed limit controversy, hours of service, twin trailers, and productivity. The industry has shown the strength and ability to deal with complex issues in the past. Assuming reasonable governmental actions prevail, the Motor Carrier Industry should be able to meet the demands of its ever changing environment.

The Motor Carrier Industry in 1980

Based upon the general economic conditions forecast for the U.S. economy, discussed later in this section, the Motor Carrier Industry is expected to show only average sales and profit growth over the entire year. Revenues should grow between 7 to 10% and profits, at best, are expected to grow only modestly over 1979. The pattern on a quarterly basis will lead that of the economy, with gains mostly occurring in the second part of the year. Overall, the carriers will be hit by high interest rates, increased labor costs and the general economic slowdown. Some of the specialized carriers will be pulled up by the strength of the sectors they serve while others will not be so fortunate. Labor costs for the industry are tied to the inflation rate and industry sources estimate that labor costs, due to Cost of Living Adjustment (COLA) clauses, will increase about 31% over the three-year contract recently negotiated with the Teamsters. This increase in costs was calculated assuming an 8½% rate of inflation. The projected rate of 9.5% for 1980, if realized, will automatically mean even higher labor costs for the industry. The cost of new transportation equipment is expected to increase over the year between 7 and 8%.

Factors which could change the above scenario continue to be: regulatory revisions, the extent of actual fuel price increases and availability, and timely rate relief for increased costs. Certainly if the recessionary pressures give way to economic growth, the industry will perform in concert.

The U.S. Economic Environment in 1980

The current high rates of interest in the money markets will continue through early 1980 but should show a modest decline later in the year. Inflation will move somewhat lower, but still be at an

unacceptably high rate. The consumer price index is projected to increase overall by 9.5% in 1980, down from an average of more than 11% in 1979. The prime rate (while presently exhibiting fluctuations up and down) may rise to 16% by late 1979 or early 1980, remain at that level for two or three months, then decline to around 12% after mid-1980 and average out for the year to between 13 and 14%.

The economy in 1980 will continue to be adversely affected by the second phase of the downturn which began in 1979, but overall business conditions should improve by the second half of the year. U.S. trucking volume (tonnage) is a coincident indicator of general movements in the economy and the improvement should be felt there before the entire economy picks up steam.

Real GNP is expected to decline in the first quarter of 1980, stabilize in the second, and begin posting modest gains in the second half of the year. The average real growth in GNP for the year is expected to be 0.5% (9.2% in dollar terms), down from the small rise of 1.5% estimated for 1979.

Two important segments of the economy, housing starts and automobile sales, are expected to be down for the year as a whole, yet not as severely as in 1975. The unemployment rate can be expected to quickly reach 7.5% early in 1980 and will average over 7% for the year as a whole.

With real disposable income projected to rise less than 2% (even assuming a reduction in taxes), durable goods sales will experience a real decline of more than 1% —the second year in a row of a similar drop. In contrast to 1979, not only will automobile sales be lower, but sales of furniture, many large appliances, and other durable goods will be substantially weaker. Plant and equipment outlays are expected to show real growth of less than 1% in 1980 in contrast to large gains of 4% to 6% in the three prior years.

The lower rate of inventory accumulation expected in 1980 will be a major factor responsible for a decline in industrial production of 2% in 1980. However, the decline in production will represent a much smaller decline than the 9% experienced in 1975.

From the cost side, energy and financing costs are expected to be large and labor costs (wages and benefits combined) are expected to rise by 9.5% over the year compared with a slightly lower 9.2% increase estimated for 1979. Producers' prices, on the other hand, are expected to increase 8.5% during the year—a rate lower than the 10.5% of 1979.

Overall 1980 Business Sales and Profits

Factors favoring an increase in sales and profits are: a likely tax cut including faster depreciation, no severe strains on capacity, significant backlogs in certain industries, further good growth potential for exports, and the expected absence of general widespread disruptions due to strikes.

On the unfavorable side, a low rate of economic growth for the total year, the continuation of price guidelines, high and rising costs of energy and financing, a sizable increase in unit labor costs, a reduction in inventory profits, and smaller gains in foreign earnings are expected.

Results for 1980: business sales are expected to be up 8.5% versus gains of 11% to 13% in each of the prior four years. The combined effect of a slower economy and rising costs facing the business sector should result in profits after taxes rising less than 4% in 1980 compared with a gain of approximately 14% in 1979.

The Scope of this Analysis

This study concentrates upon for-hire carriers of general freight and specialized commodities. For 1978, the study covers 963 Class I and II for-hire common carriers of general freight and 1,444 Class I and II for-hire common and contract carriers of specialized commodities. It is only these carrier groups for which consistent and uniform financial and operating data can be obtained. However, these groups represent \$27.4 billion (75%) of the estimated \$36.5 billion in gross revenues generated in 1978 by the 16,874 motor carriers authorized and regulated by the ICC. Of the 14,467 companies not covered in this study, about 12,900 are Class III motor carriers which file only abbreviated annual financial reports with the ICC. Other carriers excluded from this analysis are those carriers which for a variety of reasons are excused or exempt from filing with the ICC, and those carriers whose data is inaccurate, incomplete, or inconsistent for either 1978 or the comparative year 1977. Data used in this analysis is compiled from reports filed with the ICC with the exception of Group E which is compiled from shareholder reports of the publicly-owned carriers. The carrier groupings are the same as last year's and the number of carriers are identical for 1978 and 1977 to insure compatibility of analysis (Historical figures are available in prior analyses.) The main reason for grouping carriers is to minimize the data discrepancies or operational differences thus providing a framework for valid comparisons between groups.

Group A: Common carriers of general freight with annual gross revenues between \$500,000 and \$1 million; sub-grouped by ICC region.

Group B: Common carriers of general freight with annual gross revenues between \$1 million and \$5 million; sub-grouped by ICC region.

Group C: Common carriers of general freight sub-grouped by annual gross revenues, \$5 million to \$10 million versus those with gross revenues over \$10 million. Each of these groupings is divided by average length of haul.

Group D: Common and contract carriers of specialized commodities with annual gross revenues over \$1 million, sub-grouped by ICC commodity code.

Group E: Publicly-held companies of which the dominant business is as common carriers of general freight. Most of these carriers are included in carrier Group C.

The Structure of the Motor Carrier Industry

The motor carrier industry may be conveniently divided into two major classifications, Private and For-Hire.

Private Carriers consist of the trucking operations of manufacturers, wholesalers, merchants, and other shippers for transporting their own goods by means of equipment which they themselves own or lease. If their principal business is *not* transportation services, they qualify as private carriers. Those firms which meet the criteria which define private carriers are not subject to Interstate Commerce Commission regulation.

For-Hire Carriers transport freight which belongs to others. They may be classified by jurisdiction served such as interstate, intrastate, and local, the last two classes being regulated by local or state authorities, or exempt from regulation. They may also be classified by kind such as Common Carriers, Contract Carriers and Exempt Carriers.

I. Common Carriers by definition offer their services to any shipper to transport his goods between designated points at published rates under authority granted them by the ICC under a certificate of public convenience and necessity. This certificate spells out both the types of commodities which may be carried and the service

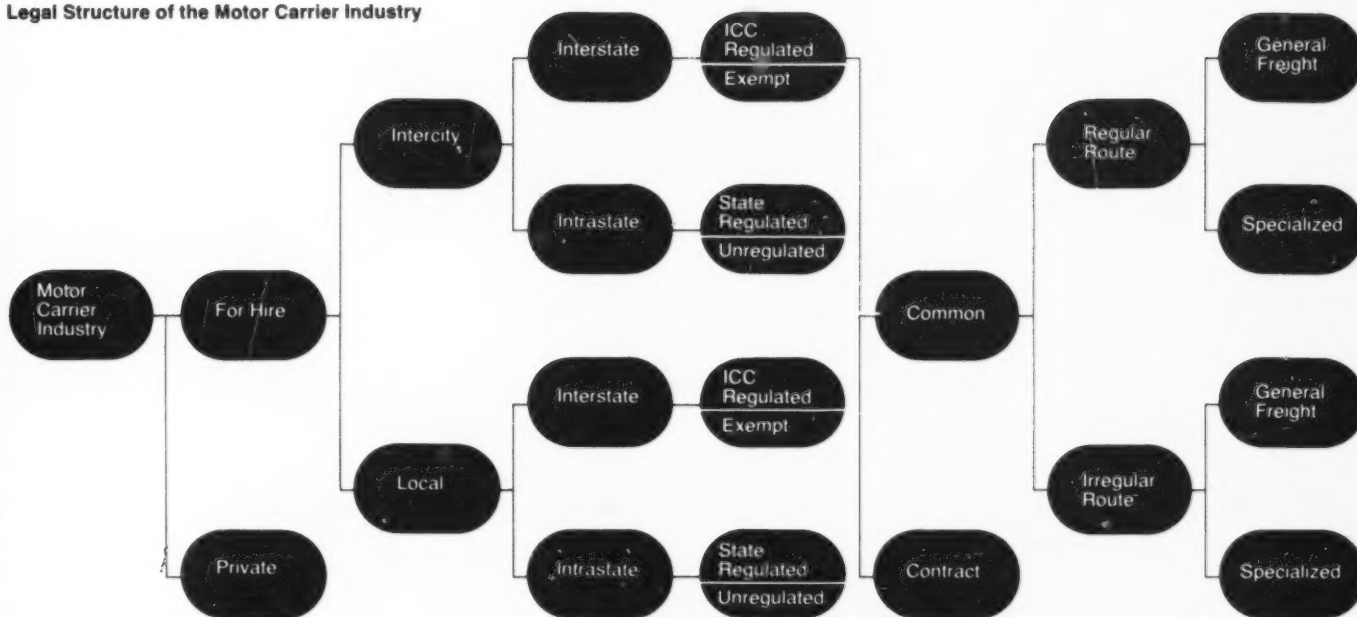
routes, whether irregular route service between areas on a non-scheduled basis or regular route service over designated roads on a scheduled basis. The ICC must also approve the tariffs established for various classes of freight by the numerous regional rate bureaus. In general, any service which is not specified by the terms of an operating certificate is forbidden.

II. Contract Carriers, as the name implies, are restricted to serving one or a few shippers under specific contractual arrangements and may not, unlike the Common Carriers, offer their services to the public-at-large. Owing to the non-public nature of these carriers, the rates which they may charge differ from the tariff structure governing Common Carriers. Operating authorities which specify areas to be served and commodities to be carried must be obtained from the ICC.

III. Exempt Carriers transport certain specialized goods, such as unprocessed agricultural products, livestock, and newspapers, and are exempt from ICC regulations about routes, areas and rates.

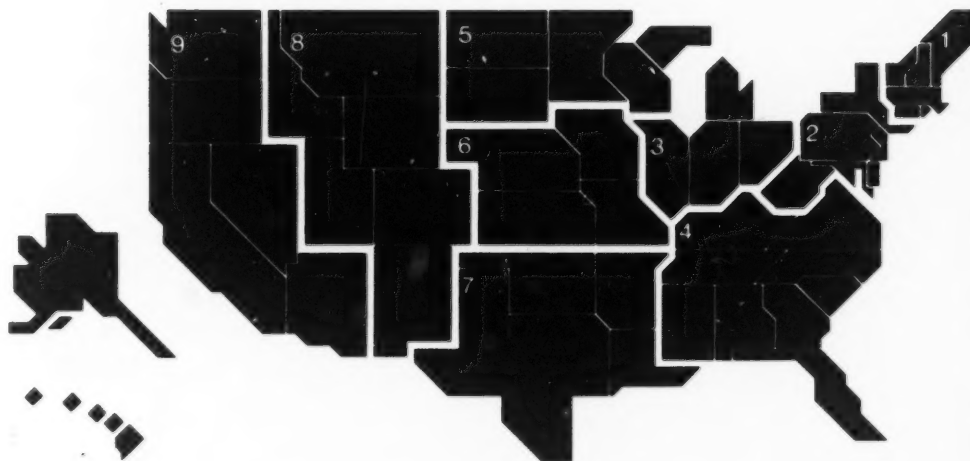
Note: Motor carriers authorized and regulated by the Interstate Commerce Commission are categorized into three classes according to revenue size. Class I are those Common Carriers having annual revenues over \$3 million, Class II having revenues between \$500,000 to \$3 million, and Class III having revenues less than \$500,000. Beginning January 1, 1980, the ICC will revise these classifications so that Class I carriers will be those with revenues over \$5 million, Class II with revenues from \$1 million to \$5 million, and Class III with revenues under \$1 million.

Legal Structure of the Motor Carrier Industry



ICC Geographic Regions

- 1 New England
- 2 Middle Atlantic
- 3 Central
- 4 Southern
- 5 Northwestern
- 6 Middlewestern
- 7 Southwestern
- 8 Rocky Mountain
- 9 Pacific



Terminology

Income Statement Data

Gross Revenues: Total operating revenues derived from freight transportation services.

Depreciation: Non-cash charges to income for use and obsolescence of carrier operating property and other fixed assets.

Purchased Transportation: The costs of revenue equipment rented from others, including affiliates, with or without hired drivers, as well as the costs of transportation purchased from railroads, airlines and water carriers.

Operating Expenses: Expenses which are directly a function of operations, including depreciation and purchased transportation. Non-carrier expenses and interest charges are not included.

Operating Income: Gross revenue less operating expenses.

Interest Expense: The cost, paid or accrued, of purchased money indebtedness from affiliates or others.

Net Income Before Taxes: Income from continuing operations, after interest charges, but before income taxes and extraordinary gains or losses.

Income Taxes—Current: Includes taxes paid to the federal, state, and (if applicable) local government.

Deferred Income Taxes: Taxes arising principally from the difference in handling certain assets, such as tires and tubes, for book and tax purposes. Deferred taxes also includes investment tax credits, if applicable. This account is used in the cash throw equation.

Equity in Earnings of Affiliates: An account used in the cash throw equation. As of Jan. 1, 1977 this account was removed from the "Other Income/Deduction" account groupings and placed after taxes.

Net Income after Taxes: The sum of post-tax ordinary and extraordinary income.

Balance Sheet Data Assets

Cash: Cash, temporary investments, and special deposits.

Receivables from Affiliates: Notes and accounts receivable due from affiliated companies.

Notes and Accounts Receivable: Trade receivables (billings to shippers), interline receivables (billings to other carriers), and other receivables.

Prepaid Expenses: Office supplies, taxes, license and other fees, insurance, interest, and warehoused tires and tubes. Under ICC rules, tires and tubes in use may be either expensed at the outset of use or relegated to this accrual category, according to the discretion of management.

Materials and Supplies: These include fuel, spare parts, and unmounted tires and tubes. Inventories may be expensed when purchased or as they are withdrawn for use.

Other Current Assets: Includes the standard accounting term "other current assets" and deferred income tax charges.

Current Assets: The sum of cash, accounts receivable, prepaid expenses, materials and supplies, and other current assets.

Carrier Operating Property (Net): A motor carrier's "inventory," that is, revenue producing fixed assets such as trucks, tractors, trailers, buildings, land, leasehold improvements, and office equipment, as valued at cost, less accumulated depreciation and amortization.

Total Tangible Property: Net carrier operating property plus other net non-carrier operating property. The "other" property account includes items such as land; purchased for expansion, or buildings, etc.

Intangible Assets: A combination of (a) the carrying values of operating authorities ("Rights") from the ICC and state regulatory bodies and (b) goodwill, principally from acquisitions of other companies and their properties, being the excess of cost over the net book value of the assets acquired. As recent public sales of carrier operating authorities have demonstrated, the market value of such "Rights" may be significantly greater than their book value.

Other Assets: Investments in and advances to affiliated companies; deferred and miscellaneous debits.

Liabilities and Equity

Payables to Affiliates: Notes and accounts payable to affiliated companies.

Notes Payable: Short-term debt used for cyclical working capital purposes, such as license fees and insurance premiums. The current portion of funded (long-term debt) does not fall into this category.

Accounts Payable: Operational trade payables.

Miscellaneous Payables and Accruals: Unpaid salaries and benefits, including health, welfare and withholding taxes, accrued dividends and other miscellaneous accounts.

Taxes Payable: Miscellaneous taxes due or accrued, such as income, real estate and highway use, but not deferred income taxes.

Current Portion of Funded Debt: The amount of funded debt due within one year. Under ICC accounting practices, this is now considered a current liability.

Other Current Liabilities: Includes the current portion of advances payable, estimated accrued liabilities, other liabilities and deferred tax credits.

Current Liabilities: The sum of notes payable, accounts payable, miscellaneous payables and accruals, taxes payable, the current portion of funded debt and other current liabilities.

Advances Payable: Contains the non-current portion of advances payable, both to affiliated companies and other business enterprises.

Funded Debt: Secured or unsecured purchased money indebtedness taken for a term greater than one year and used primarily for revenue equipment and real estate purchases.

Total Long-Term Debt: The sum of long-term funded debt (excluding current maturities) and long-term advances payable.

Total Funded Debt: The total purchased money indebtedness of a company including long-term funded debt and the current portion of that debt. Long-term advances payable are not included here.

Reserves and Estimated Liabilities: Reserves covering cargo loss, damage and self-insurance programs.

Accumulated Deferred Tax Credits: Deferred income taxes resulting from the difference between book and tax treatment of depreciation.

Total Liabilities: The sum of current liabilities, total long-term debt, and reserves and estimated liabilities.

Stockholder's Equity: The equity in the assets held by proprietors, partnerships, and stockholders; comprises all classes of capital stock, capital surplus, and retained earnings, net of treasury stock.

Total Capital: Total long-term debt (funded debt due after one year and non-current advances payable) plus stockholder's equity.

Analytical Data Profitability

Gross Revenues to Equity: One of several measures suggesting the degree of efficiency in employment of capital.

After-Tax Income to Equity: This ratio, return on shareholders' equity, indicates how well the owners' investment dollars are used.

Gross Revenues to Carrier Operating Property (Net) and (at Cost): These measures tell how much revenue is produced by each dollar of operating equipment and are another index of management's efficiency. They are best applied to year-to-year comparisons of the same or very similar carriers; the amount of purchased transportation employed can otherwise affect the validity of comparisons.

Gross Revenues to Total Capital and Pre-Tax Income to Total Capital: Two additional operating ratios which measure the turnover of total capital on revenues and pre-tax income.

Pre-Tax and After-Tax Income to Gross Revenues: Well-known measures of profitability. Since motor carriers typically show low margins on high volumes, even slight changes in these ratios may indicate disturbing trends.

Return on Transportation Investment: Net carrier operating income divided by carrier operating property (net) plus working capital expressed as a percent.

Expense Ratio: Total operating expenses plus interest expenses as a percentage of gross revenues. Unlike the operating ratio, the expense ratio also takes into account the cost of debt.

Operating Ratio: Operating expenses as a percentage of gross revenues. This is an important index of operating efficiency. Since it excludes extraordinary expenses, income taxes and interest, individual peculiarities are eliminated so that the ratio may be used as a measure of performance industry-wide.

Liquidity

Cash Throw: Net income after taxes plus depreciation, as defined, plus deferred income taxes accrued during the reporting period minus equity in the earnings of affiliated companies.

When mention is made of cash throw debt coverage, it is recognized that normal operations preclude such payoffs as cash throw is used for numerous purposes other than debt retirement. The time period coverage is offered as one measure of liquidity and should be evaluated *relative* to cash throw coverage of the other carrier groupings.

Working Capital: Current assets less current liabilities.

Current Ratio: The ratio of current assets to current liabilities, both as previously defined. The working capital requirements of motor carriers are not comparable with those of other industries since inventories are relatively minor and receivables turn over relatively quickly.

Days of Cash Operating Expenses in Working Capital: To compute, (a) subtract depreciation and the gain (loss) from disposition of operating assets from operating expenses to get cash operating expenses; (b) divide cash operating expenses by 365; (c) divide the result into working capital. This ratio measures the ability of the carrier to meet daily operating expenses from working capital. To service debt, it is cash throw from ongoing operations, not a diminution of current assets, which is relevant, and, therefore, the days cash ratio is a better indicator of operational viability than the current ratio.

Average Days Collection Period: Notes and accounts receivable times 365 divided by gross revenues. This ratio is helpful in analyzing the collectibility of receivables. When comparing the collection period of one firm or industry with that of another,

allowances should be made for possible variations in selling terms. Note that the collection period ratio shown herein, relating revenues to receivables, does not specifically address the collection procedure of motor carrier groups, however, it is indicative of *relative* turnover of receivables.

Leverage & Debt Service

Funded Debt to Equity: The ratio of total funded debt, including current maturities, to shareholders' equity. If current operations can be adequately funded from working capital, this ratio reveals the degree of protection afforded to long-term lenders.

Net Debt to Equity: Funded debt due after one year less working capital, divided by stockholders' equity. A more sharply-honed version of the preceding ratio, since it does not include working capital, which ought to be sufficient to cover current operations.

Funded Debt to Tangible Net Worth: Total funded debt divided by stockholders' equity less intangibles. This ratio is another "fine-tuned" version of the debt to equity ratio in that intangibles are eliminated from stockholders' equity.

Cash Throw to Debt Due in One Year: Cash throw divided by current portion of funded debt. This ratio, which indicates the ability to service the current portion of long-term debt principal, is useful for analyzing smaller carriers which finance equipment purchases on an installment contract basis. Since revolving credit arrangements do not provide for current maturities, the ratio will be misleading when applied to carriers using revolvers. An axiom of lenders is that carriers should be able to cover current debt maturities through depreciation alone.

Cash Throw to Total Funded Debt: This index reveals the proportion of total funded debt that could be repaid in one year if all cash throw were directed to that end. As such, it yields a better measure of the ability

of carriers who use equipment revolvers to service their debt than does the preceding ratio. The reciprocal of this ratio is the number of years required to repay debt completely, and it may usefully be compared with the average remaining life of Carrier Operating Property.

Interest to Total Funded Debt: This index shows the percentage interest payments represent of total funded debt.

Net Carrier Operating Property to Net Worth: As a measure of owners' equity in operating property, this ratio points to the relative adequacy of capitalization as well as to efficient use of capital.

Additional Ratios

Additional Ratios: These are derivatives of preceding ratios which may be useful for analysis of certain carriers operations.

Receivables to Payables: Notes and accounts receivable divided by notes payable plus accounts payable.

Depreciation to Debt Due in "One" Year: Depreciation divided by funded debt due in "one" year.

Total Tangible Property to Equity: Total tangible property divided by stockholders equity.

Income Before Extraordinary Items to Equity, Percent: Net income after taxes, but before extraordinary and prior period items divided by stockholders equity times 100.

Gross Revenues to Total Tangible Property: Gross revenues divided by total tangible property.

Composite Analysis Carriers of General Freight

Carrier Groups A, B, C.

This section reflects the composite statistics for the Class I and Class II carriers of general freight. It does not include carriers of special commodities which are reviewed in Carrier Group D. The 963 general freight carriers included in the composite for 1978, which have been standardized with 1977 reporting carriers to ensure compatibility of analysis, represent 44% of the total revenues generated by all 16,874 ICC regulated motor freight carriers in 1978. Statistics are shown for five years; however, while trends over this period are indicative of the composite group, it is only the data for 1977 and 1978 which are fully comparable.

For the general freight carriers studied in the composite, 1978 was a fairly successful year, and reflected the continued recovery of the U.S. economy which began in March, 1975. Intercity tonnage posted a gain of 5.4% for the year.¹ Aided by rate increases, revenues increased 16.2% to a record high of over \$16 billion. Due partially to the harsh winter weather in the early part of 1978 and inflationary pressures on costs, especially labor and fuel, the increase in operating profits was somewhat out of line with revenue gains. Net carrier operating income increased 12.7% to a record \$860 million. The operating ratio, which historically has been used as the yardstick in measuring the relative efficiency of individual carriers, deteriorated modestly from 94.5% to 94.6%. Even so, this was a slightly better ratio than the 94.8% composite average for the past five years. As a percentage of revenues,

there was little change in operating expense categories from the prior year with the exception of purchased transportation which rose from 9.4% to 10.4%, the highest percentage of revenues in the past five years. This increased reliance upon non-owned revenue equipment reflected the pressure of inflation on the cost of new revenue equipment and higher interest rates. Interest expense rose 36.2%, and as a percentage of gross revenues, increased from .7% to .9%, reflecting both increased debt and the effect of sharply rising interest rates during the year. Net income before taxes increased almost 10% to \$787.8 million. As a percentage of gross operating revenues, pre-tax income was 4.9%, slightly better than the five-year average of 4.7%. Net income after taxes was up 12.1% to a record \$518.7 million, and at 3.2% of gross revenues was the second best return on revenues in the past five years. However, this performance is less impressive when one considers that nationwide, corporate profits after taxes rose on the average 16.3%. Return on equity (ROE) and return on transportation investment were a healthy 15.4% and 22.3%, respectively, with 1978's ROE being above the return on owner's investment over the past five years.

While there was not any significant change in balance sheet proportions, the composite shows a slight deterioration in most liquidity measures, and a slight increase in its leverage position in 1978. Working capital decreased by 1.6%, and there was a two-day decline in days cash operating expenses in working capital which slipped to 11.5 days, the lowest coverage in the past four years. The current ratio also declined slightly from 1.26 times to 1.21 times. Cash throw, which increased by 13%, as a percentage of revenues, declined modestly from 7% to 6.8%. On the other

hand, the ratio of receivables to payables improved to 1.77 to 1 indicating a solid coverage for the quick-turning items and the best ratio in the past five years. Overall, the composite maintained an acceptable liquidity posture in 1978.

While remaining at comfortable levels, the composite's leverage and debt service deteriorated in 1978 from the previous year. Total funded debt rose 26.5% and stockholders equity posted a relatively smaller increase of 11.4%, resulting in a slightly weaker balance sheet. The funded debt to tangible net worth ratio of .48 to 1, while higher than in the two previous years, was more conservative than those recorded in the recession years of 1974 and 1975. The relationship of decreased liquidity and a weaker balance sheet is reflected in the deteriorated coverage of cash throw to total funded debt which declined from 86.95% to 77.68%; however, this is considered a reasonable level and is approximately the same as the five-year average of 77.70%. The coverage of cash throw to funded debt due in one year, an important measure of debt coverage, at 510%, was better than the five-year average of 490%. If it were possible to apply all of the composite's cash throw to repay all funded debt, the composite group could repay in approximately 1 1/4 years. This underscores the composite's debt absorption capacity, and the group appears in a good position for revenue equipment additions in 1979 that would be externally financed.

In conclusion, the composite shows the general freight carriers were well positioned at year-end 1978 to face the challenges of a less favorable economic environment in the year ahead. Specific comments regarding Groups A, B, and C, follow in separate sections.

¹The 5.4% change applies only to the specific summarized carriers.

Composite Carrier Groups A, B & C

Number of Carriers Year	Total Group A 126 1978				Total Group B 494 1978				Total Group C 343 1978			
	1977				1977				1977			
Income Statement												
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Income & Expense Data												
Gross Revenues	101.49	100.0	97.03	100.0	1151.58	100.0	1009.25	100.0	14762.71	100.0	12671.66	100.0
Depreciation	3.10	3.1	3.15	3.2	37.32	3.2	33.63	3.3	519.84	3.5	459.14	3.6
Purchased Transportation	15.53	15.3	13.34	13.7	197.59	17.2	164.45	16.3	1460.14	9.9	1116.64	8.9
Total Operating Expenses	99.55	98.1	96.47	99.4	1106.05	96.0	971.97	96.3	13950.02	94.5	11946.21	94.3
Net Carrier Operating Income	1.93	1.9	0.57	0.6	45.53	4.0	37.28	3.7	812.70	5.5	725.45	5.7
Interest Expense	1.12	1.1	0.84	0.9	10.66	0.9	8.65	0.9	124.96	0.8	90.80	0.7
Net Income Before Taxes	3.65	3.6	1.52	1.6	42.78	3.7	34.73	3.4	741.33	5.0	681.25	5.4
Income Taxes—Current	0.69	0.7	0.55	0.6	12.19	1.1	8.92	0.9	252.92	1.7	243.40	1.9
Deferred Income Taxes	0.12	0.1	0.02	0.0	0.53	0.0	0.23	0.0	51.01	0.3	39.02	0.3
Equity in Earnings of Affil	0.61	0.6	0.76	0.8	0.78	0.1	0.52	0.1	44.70	0.3	36.89	0.3
Net Income After Taxes	3.51	3.5	1.75	1.8	31.03	2.7	26.41	2.6	484.10	3.3	434.67	3.4
Balance Sheet												
Assets												
Cash	5.93	10.2	5.74	11.1	47.02	9.5	45.33	10.6	624.42	9.0	551.58	9.3
Receivables from Affiliates	4.11	7.1	3.25	6.3	15.91	3.2	12.56	2.9	148.38	2.1	130.93	2.2
Notes & Accounts Receivable	10.72	18.4	9.47	18.4	118.23	23.9	101.09	23.6	1226.94	17.6	1002.13	17.0
Prepaid Expenses	1.64	2.8	1.74	3.4	17.49	3.5	14.52	3.4	244.89	3.5	208.37	3.5
Materials & Supplies	0.99	1.7	0.64	1.2	4.91	1.0	4.67	1.1	119.00	1.7	100.54	1.7
Other Current Assets	0.34	0.6	0.37	0.7	0.90	0.2	0.66	0.2	27.73	0.4	23.78	0.4
Total Current Assets	23.73	40.8	21.19	41.1	204.46	41.4	178.83	41.7	2391.36	34.3	2017.23	34.2
Carrier Operating Property	45.66	78.5	42.99	83.3	417.87	84.6	375.69	87.6	5805.53	83.4	5060.08	85.7
Reserve for Depreciation	26.27	45.1	26.41	51.2	217.04	43.9	205.21	47.9	2633.04	37.8	2369.17	40.1
Carrier Operating Property Net	19.39	33.3	16.57	32.1	200.83	40.7	170.48	39.8	3172.50	45.6	2690.92	45.6
Total Tangible Property	23.60	40.6	20.27	39.3	215.89	43.7	184.72	43.1	3242.93	46.6	2747.68	46.5
Intangibles	2.25	3.9	2.05	4.0	26.85	5.4	24.05	5.6	474.94	6.8	385.24	6.5
Other Assets	8.60	14.8	8.07	15.6	46.66	9.4	41.20	9.8	853.30	12.3	754.70	12.8
Total Assets	58.18	100.0	51.59	100.0	493.86	100.0	428.80	100.0	6962.54	100.0	5904.86	100.0
Liabilities & Equity												
Payables to Affiliates	5.35	9.2	3.79	7.4	13.73	2.8	11.62	2.7	88.98	1.3	87.33	1.1
Notes Payable	1.28	2.2	1.27	2.5	14.67	3.0	13.12	3.1	22.85	0.3	24.88	0.4
Accounts Payable	8.24	14.2	7.76	15.0	75.85	15.4	67.64	15.8	642.16	9.2	531.24	9.0
Misc Payables & Accruals	1.24	2.1	1.13	2.2	15.53	3.1	13.24	3.1	199.84	2.9	158.40	2.7
Taxes Payable	0.77	1.3	0.59	1.1	10.73	2.2	8.84	2.1	182.00	2.6	133.10	2.3
Funded Debt Due Within One Year	3.72	6.4	2.26	4.4	27.34	5.5	20.93	4.9	181.68	2.6	147.80	2.5
Other Current Liabilities	1.69	2.9	1.50	2.9	24.46	5.0	22.65	5.3	633.94	9.1	507.51	8.6
Total Current Liabilities	22.30	38.3	18.30	35.5	182.31	36.9	158.05	36.9	1951.45	28.0	1570.06	26.6
Advances Payable	2.16	3.7	3.37	6.5	12.93	2.6	14.02	3.3	305.34	4.4	221.62	3.8
Funded Debt Due After One Year	8.69	14.9	7.68	14.9	82.22	16.6	66.25	15.4	1092.34	15.7	858.01	14.5
Total Long Term Debt	10.85	18.7	11.05	21.4	95.15	19.3	80.26	18.7	1397.69	20.1	1080.64	18.3
Total Funded Debt	12.41	21.0	9.94	19.0	109.56	22.0	87.18	20.0	1274.02	18.0	1006.61	17.0
Reserves & Est Liabilities	0.19	0.0	0.13	0.0	2.37	0.0	1.47	0.0	116.30	1.0	122.04	2.0
Accum Deferred Tax Credits	0.32	0.6	0.15	0.3	5.92	1.2	5.01	1.2	365.48	5.2	317.23	5.4
Total Liabilities	33.66	57.9	29.64	57.4	285.75	57.9	244.78	57.1	3830.92	55.0	3089.98	52.3
Stockholder's Equity	24.52	42.1	21.95	42.6	208.11	42.1	184.01	42.9	3131.62	45.0	2814.88	47.7
Total Capital	35.37	60.0	33.00	63.0	303.26	61.0	264.28	61.0	4529.30	65.0	3895.51	65.0
Total Liabilities & Equity	58.18	100.0	51.59	100.0	493.86	100.0	428.80	100.0	6962.54	100.0	5904.86	100.0
Analytical Data												
	Total Group A 1978				Total Group B 1978				Total Group C 1978			
	1977				1977				1977			
Operating Performance												
Gross Revenues to Equity	4.13		4.41		5.53		5.48		4.71		4.50	
Gross Revenues to Total Capital	2.86		2.94		3.79		3.81		3.25		3.25	
Gross Revenues to Net Carr Oper Prop	5.23		5.85		5.73		5.92		4.65		4.70	
Gross Revenues to Carr Oper Prop (Cost)	2.22		2.25		2.75		2.68		2.54		2.50	
Pre-Tax Income to Gross Revenues, %	3.60		1.57		3.71		3.44		5.02		5.37	
Pre-Tax Income to Total Capital, %	10.33		4.62		14.10		13.14		16.36		17.48	
After Tax Income to Gross Revenues, %	3.46		1.80		2.69		2.61		3.27		3.43	
After Tax Income to Equity, %	14.33		7.99		14.90		14.34		15.45		15.44	
Return on Transportation Investment, %	9.28		2.92		20.41		19.49		22.49		23.11	
Expense Ratio, %	99.20		100.28		96.97		97.16		95.34		94.99	
Operating Ratio, %	98.09		99.41		96.04		96.30		94.49		94.27	
Average Revenue per Carrier, \$	0.81		0.77		2.33		2.04		43.04		36.94	
Net Income per Carrier, \$	0.03		0.01		0.06		0.05		1.41		1.27	
Liquidity												
Cash Throw, \$	6.11		4.17		68.10		59.64		1010.26		895.94	
Working Capital, \$	1.42		2.89		22.16		20.79		439.91		447.17	
Current Ratio	1.06		1.15		1.12		1.13		1.22		1.28	
Days Cash Oper Exp in Work Cap	5.33		11.26		7.53		8.05		11.90		14.15	
Average Days Collection Period	38.56		35.62		37.47		36.55		30.33		28.86	
Leverage & Debt Service												
Funded Debt to Equity	0.50		0.45		0.52		0.47		0.40		0.35	
Net Debt to Equity	0.29		0.21		0.28		0.24		0.20		0.14	
Funded Debt to Tangible Net Worth	0.55		0.49		0.60		0.54		0.47		0.41	
Cash Throw to Funded Debt Due in One Year, %	164.23		184.77		249.10		284.98		556.06		607.01	
Cash Throw to Total Funded Debt, %	49.25		41.96		62.16		68.41		79.29		89.00	
Interest to Total Funded Debt, %	9.04		8.48		9.72		9.92		9.80		9.02	
Carrier Property (Net) to Equity	0.79		0.75		0.95		0.92		1.01		0.95	
Additional Ratios												
Receivables to Payables	1.12		1.04		1.30		1.25		1.84		1.80	
Deprec to Debt Due in One Year	0.83		1.39		1.36		1.60		2.86		3.11	
Total Tang Prop to Equity	0.96		0.92		1.03		1.00		1.03		0.97	
Income Before Extra Items Etc to Equity, %	14.10		7.80		14.81		14.24		15.37		15.47	
Gross Revenues to Total Tang Prop	4.30		4.78		5.33		5.46		4.55		4.61	

Dollar Amounts in Millions

**Cash Throw includes net income after taxes and depreciation but excludes deferred income taxes minus equity in earnings of affiliates

Total A, B & C 963 1978		963 1977		748 1976		803 1975		972 1974	
\$	%	\$	%	\$	%	\$	%	\$	%
16015 78	100.0	13777 94	100.0	13208 8	100.0	11310 5	100.0	12563 8	100.0
560 26	3.5	495 92	3.6	502 5	3.8	468 2	4.1	464 8	3.7
1673 26	10.4	1294 44	9.4	1051 2	8.0	818 7	7.2	1069 9	8.5
15155 62	94.6	13014 65	94.5	12570 2	95.2	10744 1	95.0	11903 5	94.7
860 16	5.4	763 30	5.5	638 6	4.8	566 4	5.0	660 3	5.3
136 73	0.9	100 39	0.7	90 0	0.7	103 3	0.9	118 7	0.9
787 76	4.9	717 51	5.2	598 4	4.5	459 2	4.1	624 5	5.0
265 81	1.7	252 86	1.8	226 1	1.7	NA	NA	NA	NA
51 66	0.3	39 27	0.3	27 5	0.2	NA	NA	NA	NA
46 09	0.3	38 27	0.3	20 5	0.2	NA	NA	NA	NA
518 65	3.2	462 83	3.4	364 9	2.8	251 7	2.2	354 8	2.8
677 37	9.0	602 65	9.4	641 1	10.6	505 1	9.3	461 8	8.3
168 41	2.2	146 64	2.3	141 0	2.3	NA	NA	NA	NA
1355 90	18.0	1112 69	17.4	975 6	16.2	1002 1	18.4	961 8	17.2
264 01	3.5	224 63	3.5	186 6	3.1	174 2	3.2	186 4	3.3
124 90	1.7	105 84	1.7	107 9	1.8	93 4	1.7	121 4	2.2
28 97	0.4	24 80	0.4	16 8	0.3	15 9	0.3	NA	NA
2619 55	34.9	2217 26	34.7	2069 0	34.3	1790 7	32.9	1731 4	31.0
6269 06	83.4	5478 77	85.8	5511 9	91.4	4958 5	91.1	4909 0	87.9
2876 34	38.3	2600 79	40.7	2700 5	44.8	2407 3	44.2	2231 9	40.0
3392 72	45.1	2877 98	45.1	2811 4	46.6	2551 2	46.9	2677 1	47.9
3482 42	46.3	2952 67	46.2	2876 8	47.7	2631 1	48.3	NA	NA
504 05	6.7	411 34	6.4	344 3	5.7	308 0	5.7	313 3	5.6
908 57	12.1	803 97	12.6	738 3	12.2	714 7	13.1	864 8	15.5
7514 58	100.0	6385 24	100.0	6028 4	100.0	5444 4	100.0	5586 6	100.0
108 08	1.4	82 75	1.3	69 2	1.1	NA	NA	NA	NA
38 80	0.5	39 27	0.6	37 3	0.6	29 3	0.5	45 0	0.8
726 24	9.7	606 64	9.5	533 1	8.8	562 3	10.3	729 6	13.1
216 62	2.9	172 78	2.7	186 6	3.1	182 3	3.4	437 0	7.8
193 50	2.6	142 53	2.2	159 9	2.7	108 8	2.0	118 1	2.1
212 74	2.8	170 78	2.7	165 0	2.7	147 4	2.7	227 6	4.1
660 09	8.8	531 66	8.3	486 2	8.1	NA	NA	263 5	4.7
2156 06	28.7	1746 41	27.4	1637 2	27.2	1440 0	26.5	1820 8	32.6
320 44	4.3	239 00	3.7	296 6	4.9	NA	NA	NA	NA
1183 25	15.7	932 94	14.6	815 3	13.5	1021 3	18.8	895 4	16.0
1503 69	20.0	1171 94	18.4	1111 9	18.4	1021 3	18.8	895 4	16.0
1395 99	18.0	1103 72	17.0	980 3	16.0	1168 6	21.5	1123 0	20.1
118 86	1.0	123 64	1.0	102 1	1.0	392 6	7.2	56 8	1.0
371 73	4.9	322 40	5.0	355 9	5.9	NA	NA	297 4	5.3
4150 34	55.2	3364 40	52.7	3207 2	53.2	2853 9	52.4	3070 4	55.0
3364 24	44.8	3020 85	47.3	2821 3	46.8	2590 5	47.6	2516 2	45.0
4867 93	64.0	4192 79	65.0	3933 2	65.0	3611 8	66.3	3411 6	61.1
7514 58	100.0	6385 24	100.0	6028 4	100.0	5444 4	100.0	5586 6	100.0
Total A, B & C 1978		1977		1976		1975		1974	
4 76		4 56		4 68		4 37		4 99	
3 29		3 28		3 35		3 13		3 68	
4 72		4 78		4 69		4 43		4 69	
2 55		2 51		2 39		2 28		2 56	
4 91		5 20		4 53		4 06		4 97	
16 18		17 11		15 21		12 71		18 31	
3 23		3 35		2 76		2 22		2 82	
15 41		15 32		12 93		9 72		14 10	
22 30		22 79		19 69		19 52		25 52	
95 48		95 18		95 84		95 91		95 68	
94 62		94 45		95 16		94 99		94 74	
16 63		14 31		17 7		13 4		12 9	
0 54		0 48		0 5		0 3		0 4	
1084 48		959 75		874 4		721 2		819 6	
463 49		470 85		431 8		350 7		(89 4)	
1 21		1 26		1 26		1 24		95	
11 54		13 67		13 03		12 46		(2 85)	
30 90		29 47		26 96		32 34		27 94	
0 41		0 36		0 34		0 45		45	
0 21		0 15		0 13		0 32		NA	
0 48		0 42		0 39		0 51		51	
509 76		561 97		529 92		489 43		360 11	
77 68		86 95		89 19		61 71		72 98	
9 79		9 09		9 18		8 84		10 57	
1 00		0 95		0 99		0 98		1 06	
1 77		1 72		1 71		1 69		1 24	
2 63		2 90		3 04		3 18		2 04	
1 03		0 97		1 01		1 02		NA	
15 33		15 34		12 94		9 93		NA	
4 59		4 66		4 59		4 30		NA	

Carrier Group A Analysis

Group A consists of 126 smaller Class II general freight carriers with revenues between \$500 thousand and \$1 million annually. Data are compiled by ICC region, and the number of carriers in 1978 have been standardized with 1977 to ensure compatibility of analysis. Average revenue per carrier in Group A was \$810 thousand in 1978. This group is made up of primarily short-haul carriers representing less than 1% of the total general freight revenues and net income after taxes studied in this *Financial Analysis*. Regionally, as to the number of carriers, 74% were concentrated in the Middle Atlantic, Central, Pacific, and Southern regions. While the Class III carriers are not included in the analysis, Group A's data should be somewhat indicative of the smaller Class III operations.

Group A's total revenues increased marginally by 4.6% to \$101.5 million in 1978. This increase was significantly below the composite's revenue gain of 16.2% and was an unfavorable performance for Group A in light of 1978's high rate of inflation. Of the nine regions, several reported a decline in revenues with the Central Region having the poorest performance, declining by 13.7%. For the group, as a whole, total intercity mileage declined 1.9% and total intercity tonnage increased by only 1.7%.

Group A relies heavily on the use of non-owned revenue equipment. In 1978, purchased transportation expenditures were up 16.4% which represented 15.3% of gross revenues compared to 10.4% for the composite groups. Group A's net carrier operating property represented 33.3% of total assets and is 57.5% depreciated. Group A had the least amount of net operating property of the general freight carrier groups, as a percentage of assets, and the oldest fleet.

Overall, Group A carriers were more efficient in 1978. The operating ratio improved 1½ percentage points to 98.09%, but compared unfavorably with the composite average of 94.62% and remained the highest operating ratio of the general freight carrier groups. While six regions reported an improvement in the operating ratio, only the Northwestern region (with four carriers) reported an operating ratio more favorable than the composite. Two regions, the Middlewestern and the Southwestern (with two carriers) reported net operating losses in 1978. For the group, the expense ratio, while slightly improved, was unacceptably high at 99.20%.

Net income after taxes increased 100.6% to \$3.51 million and as a percentage of revenues increased from 1.8% to 3.5% comparing favorably to the composite's 3.2%. However, Group A is composed of a relatively small number of carriers and net income after taxes includes other income of \$2.8 million. This is distorted by several carriers with significantly high other income amounts, primarily rentals to others. Only the Southwestern region reported a net loss in 1978. Net income per carrier was the best in the Northwestern region at \$80 thousand, followed by the Middlewestern region at \$70 thousand. Further demonstrating performance improvement for Group A carriers is the fact that 30 individual carriers reported losses in 1978 versus 43 in 1977.

Overall, liquidity declined in Group A. The current ratio deteriorated to a marginal 1.06 times and was considerably below the composite's average of 1.21 times. Working capital declined 50.9% to \$1.4 million, and days cash operating expenses in working capital declined by six days to only 5.33 days, significantly below the composite of 11.54 days and a cause for concern. The

collection of receivables is slow for this group with the average day's collection period of 38.56 days being the highest recorded in recent years by any of the general freight carrier groups. On the positive side, cash throw increased 46.5% to \$6.1 million.

Five regions reported adequate or above average liquidity in 1978, however, New England and the Southwest were marginal, and the Middlewestern and Southern can be considered inadequate.

Leverage tests for Group A indicate a slight deterioration in balance sheet strength from 1977 to 1978. The funded debt to equity ratio increased from 45% to 50% and net debt to equity increased from 21% to 29% with both ratios being above the composite average. Within Group A, the Southern Region reported the highest leverage position with a funded debt to equity ratio of 68%.

Ability to service debt remains adequate although the coverage of cash throw to funded debt due in one year declined from 185% to 164%. There was a slight improvement in cash throw to total funded debt from 42% to 49%. If it were possible to apply all cash throw to total funded debt, Group A could repay funded debt in approximately two years.

Carrier Group B Analysis

This middle grouping is composed of 494 Class I and II carriers of general freight with annual revenues between \$1 million and \$5 million. As with Group A, data is presented by ICC region, and the number of carriers are identical in 1978 and 1977 for compatibility of analysis. In 1978, Group B represents 7.2% of the total gross revenues and 6% of total net income after taxes generated by all general freight carriers studied in this *Financial Analysis*. As with Group A, these carriers are concentrated more in the Middle Atlantic, Central, and Pacific ICC regions.

Total gross revenues for Group B increased 14.1% to a record \$1.15 billion which reflected rate increases and growth in intercity mileage and tonnage of 5.3% and 1.1%, respectively.

During 1978, Group B, as a whole, increased its reliance upon purchased transportation which was up 20.2% and represented 17.2% of gross revenues. Carrier operating property before depreciation as a percent of total assets declined 3% to 84.6%. Overall these carriers were cautious in adding new revenue equipment, and of the general freight carrier groups, Group B relied the most heavily on non-owned equipment.

Total operating expenses increased slightly less than revenue gains and while the operating ratio improved only marginally to 96.04%, this was the best overall performance for Group B carriers studied since 1972. With interest expenses as a percentage of revenues remaining unchanged, Group B's profits advanced satisfactorily. Profits after taxes rose 17.5%, reaching an all-time high of slightly over \$31 million in 1978 which represented 2.7% of revenues.

Not all of the Group B carriers shared in this favorable performance. Of the 494 carriers studied, 88 reported net losses which was an increase of 10 over the previous year. However, none of the individual regions sustained a net loss in 1978. As with the small Group A carriers, regional analysis points out wide swings from the Group total. Operating performance of the Southwestern, Southern, and Northwestern regions was superior to the general freight composite, while the New England region continued to show the poorest performance with an operating ratio of 97.87%.

Liquidity for Group B, as a whole, remained adequate although modest, with liquidity measures comparing unfavorably with the composite. From a positive standpoint, working capital was up slightly by 6.6% and cash throw increased by 14.2%. Each of the ICC regions reported cash and receivables (excluding affiliate accounts) greater than its funded debt. On the other hand, following the industry trend for general freight carriers, the current ratio posted a slight decline to 1.12 to 1, and days of cash operating expenses in working capital fell by $\frac{1}{2}$ day to $7\frac{1}{2}$ days. The average days collection period lengthened slightly to $37\frac{1}{2}$ days and exceeded the composite by $6\frac{1}{2}$ days. Within Group B, liquidity measures were mixed. Five of the ICC regions reported an improvement in current ratios, while only the Northwestern region, with a current ratio of 1.50 to 1, was in a more favorable position than the composite. Of concern are the New England and Rocky Mountain regions which showed negative working capital positions for 1978, and a deterioration from the previous year.

Carrier Group B, as a whole, has typically maintained a highly leveraged position. As in the previous year, Group B remains the most leveraged of the general freight carrier groups. Total funded debt increased 25.7% and stockholders equity was up 13.1%, although the latter, as a percentage of total footings, did not change.

As with the other general freight carrier groups, the funded debt to equity ratio deteriorated slightly with Group B reporting an increase from .47 to 1 to .52 to 1. None of Group B's ICC regions compared favorably by this measure with the composite average of .41 to 1. The New England and the Middlewestern regions reported the worst leverage positions at .72 and .71 to 1, respectively. In addition, New England showed the lowest percentage of equity to total footings in Group B of 31.8%.

Operating authority (intangibles) declined as a percentage of total assets to 5.4% and was below the composite average of 6.7%. The ratio of total funded debt to tangible net worth showed a deterioration and rose from .54 to 1 to .60 to 1 and was significantly above the composite average of .48 to 1. By this measure, the Southern region and again New England, and the Middlewestern regions are in the worst leverage positions within Group B.

The coverage of cash throw to funded debt due within one year was adequate overall; however, it declined from 2.8 times to 2.5 times and all regions reported ratios below the composite's 5.1 times. New England reported the worst coverage at 1.7 times.

As a further test of adequacy, Group B's depreciation alone was \$37.3 million compared to funded debt due within one year of \$27.3 million. Furthermore, if it were possible to apply cash throw against all funded debt, Group B carriers would be out of debt in slightly less than 20 months.

Carrier Group A

Region Number Region Number of Carriers Year	1 New England 13 1978				2 Middle Atlantic 34 1978				3 Central 23 1978				4 Southern 18 1978			
	1977		1978		1977		1978		1977		1978		1977		1978	
Income Statement	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Income & Expense Data																
Gross Revenues	10.05	100.0	9.22	100.0	27.65	100.0	25.55	100.0	18.28	100.0	21.17	100.0	14.66	100.0	13.02	100.0
Depreciation	0.30	3.0	0.31	3.4	0.79	2.9	0.77	3.0	0.54	3.0	0.63	3.0	0.71	4.9	0.66	5.0
Purchased Transportation	0.42	4.2	0.40	4.3	2.49	9.0	2.08	8.1	4.06	22.2	4.02	19.0	1.59	10.8	1.17	9.0
Total Operating Expenses	9.99	99.5	9.16	99.4	27.26	98.6	25.38	99.3	18.06	98.8	21.47	101.4	14.10	96.2	12.44	95.5
Net Carrier Operating Income	0.05	0.5	0.06	0.6	0.39	1.4	0.17	0.7	0.22	1.2	0.30	1.4	0.56	3.8	0.59	4.5
Interest Expense	0.06	0.6	0.04	0.4	0.21	0.8	0.20	0.8	0.05	0.3	0.07	0.3	0.52	3.6	0.27	2.1
Net Income Before Taxes	0.14	1.4	0.11	1.1	0.49	1.8	0.07	0.3	0.88	4.8	0.18	0.9	0.86	5.8	0.95	7.3
Income Taxes—Current	0.04	0.4	0.02	0.2	0.17	0.6	0.08	0.3	0.10	0.5	0.06	0.3	0.08	0.6	0.13	1.0
Deferred Income Taxes	0.00	0.0	0.00	0.0	0.00	0.0	0.01	0.0	0.00	0.0	0.00	0.0	0.09	0.6	0.01	0.1
Equity in Earnings of Affli	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
Net Income After Taxes	0.12	1.2	0.10	1.1	0.35	1.3	0.01	0.0	0.78	4.3	0.12	0.6	0.68	4.6	0.80	6.2
Balance Sheet																
Assets																
Cash	0.61	14.8	0.54	14.5	1.31	13.4	1.06	11.9	0.98	17.1	0.94	16.3	1.27	6.1	1.25	7.1
Receivables from Affiliates	0.00	0.0	0.02	0.6	0.22	2.2	0.22	2.4	0.16	2.8	0.07	1.2	0.23	1.1	0.12	0.7
Notes & Accounts Receivable	1.00	24.4	0.89	23.9	2.70	27.6	2.21	24.7	1.56	27.2	1.54	26.8	1.87	9.0	1.77	10.0
Prepaid Expenses	0.10	2.4	0.15	4.0	0.63	6.5	0.64	7.1	0.24	4.1	0.34	5.9	0.29	1.4	0.28	1.6
Materials & Supplies	0.05	1.2	0.05	1.2	0.09	0.9	0.09	1.0	0.06	1.1	0.08	1.4	0.74	3.5	0.37	2.1
Other Current Assets	0.01	0.3	0.01	0.3	0.02	0.3	0.07	0.8	0.00	0.1	0.00	0.0	0.10	0.5	0.13	0.7
Total Current Assets	1.76	43.1	1.65	44.5	4.97	50.8	4.28	47.8	3.01	52.4	2.97	51.6	4.51	21.6	3.92	22.2
Carrier Operating Property	4.21	102.8	4.08	109.8	10.55	107.8	10.22	114.2	4.97	86.6	6.59	114.6	15.43	74.0	11.96	67.6
Reserve for Depreciation	2.74	66.8	2.74	73.8	7.11	72.7	7.00	78.2	3.08	53.6	4.53	78.6	6.33	30.4	5.12	28.9
Carrier Operating Property Net	1.47	36.0	1.34	36.0	3.44	35.1	3.22	36.0	1.90	33.0	2.07	35.9	9.10	43.7	6.84	38.7
Total Tangible Property	1.57	38.4	1.43	38.6	3.56	36.4	3.45	38.5	2.20	38.3	2.37	41.1	10.87	52.1	8.23	46.5
Intangibles	0.49	12.1	0.35	9.5	0.62	6.3	0.64	7.1	0.18	3.1	0.18	3.1	0.36	1.7	0.37	2.1
Other Assets	0.26	6.4	0.27	7.4	0.63	6.5	0.58	6.5	0.35	6.2	0.23	4.1	5.10	24.5	5.16	29.2
Total Assets	4.09	100.0	3.72	100.0	9.78	100.0	8.95	100.0	5.74	100.0	5.75	100.0	20.85	100.0	17.69	100.0
Liabilities & Equity																
Payables to Affiliates	0.19	4.7	0.19	5.1	0.19	1.9	0.15	1.7	0.17	3.0	0.12	2.0	0.89	4.3	0.57	3.2
Notes Payable	0.30	7.3	0.05	1.3	0.42	4.3	0.52	5.8	0.14	2.5	0.10	1.8	0.22	1.0	0.25	1.4
Accounts Payable	0.87	21.2	0.67	17.9	2.00	20.4	1.77	19.8	0.90	15.7	1.11	19.3	1.79	8.6	1.90	10.8
Misc Payables & Accruals	0.13	3.1	0.15	3.9	0.33	3.3	0.27	3.0	0.15	2.7	0.18	3.2	0.23	1.1	0.16	0.9
Taxes Payable	0.06	1.4	0.04	1.0	0.19	1.9	0.10	1.1	0.07	1.3	0.08	1.4	0.12	0.6	0.15	0.8
Funded Debt Due Within One Year	0.02	0.4	0.03	0.9	0.48	4.9	0.27	3.0	0.17	2.9	0.24	4.2	2.47	11.9	1.23	7.0
Other Current Liabilities	0.06	1.6	0.12	3.4	0.51	5.2	0.36	4.0	0.19	3.2	0.25	4.3	0.31	1.5	0.23	1.3
Total Current Liabilities	1.62	39.5	1.24	33.5	4.10	41.9	3.45	38.5	1.80	31.3	2.09	36.2	6.03	28.9	4.48	25.3
Advances Payable	0.09	2.1	0.23	6.2	0.31	3.1	0.32	3.5	0.03	0.5	0.25	4.3	0.00	0.0	0.00	0.0
Funded Debt Due After One Year	0.59	14.3	0.55	14.9	1.65	16.9	1.84	20.6	0.21	3.7	0.26	4.5	4.41	21.2	3.35	18.9
Total Long Term Debt	0.67	16.5	0.78	21.1	1.96	20.0	2.16	24.1	0.24	4.2	0.51	8.8	4.41	21.2	3.35	18.9
Total Funded Debt	0.60	14.0	0.58	15.0	2.13	21.0	2.11	23.0	0.38	6.0	0.50	8.0	6.88	33.0	4.58	25.0
Reserves & Est Liabilities	0.00	0.0	0.00	0.0	0.10	0.0	0.02	0.0	0.02	0.0	0.04	0.0	0.05	0.0	0.06	0.0
Accum Deferred Tax Credits	0.00	0.1	0.00	0.1	0.02	0.2	0.02	0.2	0.00	0.0	0.00	0.0	0.27	1.3	0.09	0.5
Total Liabilities	2.30	56.2	2.03	54.7	6.17	63.1	5.64	63.0	2.06	35.8	2.63	45.8	10.76	51.6	7.99	45.2
Stockholder's Equity	1.79	43.8	1.68	45.3	3.61	36.9	3.31	37.0	3.69	64.2	3.12	54.2	10.09	48.4	9.70	54.8
Total Capital	2.47	60.0	2.46	66.0	5.57	56.0	5.47	61.0	3.93	68.0	3.63	63.0	14.50	69.0	13.05	73.0
Total Liabilities & Equity	4.09	100.0	3.72	100.0	9.78	100.0	8.95	100.0	5.74	100.0	5.75	100.0	20.85	100.0	17.69	100.0
Analytical Data																
	New England 1978		1977		Middle Atlantic 1978		1977		Central 1978		1977		Southern 1978		1977	
Operating Performance																
Gross Revenues to Equity	5.60	5.48	7.65	7.71	4.95	6.78	1.45	1.34	4.65	5.83	1.01	0.99	5.90	7.26	6.16	
Gross Revenues to Total Capital	4.07	3.74	4.96	4.67	4.65	5.83	1.01	0.99	4.65	5.83	1.01	0.99	5.90	7.26	6.16	
Gross Revenues to Net Carr Oper Prop	6.81	6.88	8.04	7.92	9.64	10.24	1.61	1.90	9.64	10.24	1.61	1.90	9.64	10.24	1.61	1.90
Gross Revenues to Carr Oper Prop (Cost)	2.38	2.25	2.62	2.49	3.67	3.21	0.94	1.08	3.67	3.21	0.94	1.08	3.67	3.21	0.94	1.08
Pre-Tax Income to Gross Revenues, %	1.39	1.14	1.76	1.20	4.83	0.85	5.84	7.27	4.83	0.85	5.84	7.27	4.83	0.85	5.84	7.27
Pre-Tax Income to Total Capital, %	5.67	4.30	8.76	1.20	22.49	5.00	5.90	7.26	22.49	5.00	5.90	7.26	22.49	5.00	5.90	7.26
After Tax Income to Gross Revenues, %	1.20	1.05	1.27	0.03	4.28	0.55	4.64	6.16	4.28	0.55	4.64	6.16	4.28	0.55	4.64	6.16
After Tax Income to Equity, %	6.75	5.77	9.72	0.28	21.25	3.75	6.74	8.28	21.25	3.75	6.74	8.28	21.25	3.75	6.74	8.28
Return on Transportation Investment, %	3.36	3.31	9.14	4.22	7.23	10.11	7.33	9.34	7.23	10.11	7.33	9.34	7.23	10.11	7.33	9.34
Expense Ratio, %	100.01	99.76	99.34	100.10	99.06	101.75	99.76	97.54	99.06	101.75	99.76	97.54	99.06	101.75	99.76	97.54
Operating Ratio, %	99.45	99.37	98.57	99.32	98.77	101.41	96.20	95.49	98.77	101.41	96.20	95.49	98.77	101.41	96.20	95.49
Average Revenue per Carrier, \$	0.77	0.71	0.81	0.75	0.79	0.92	0.81	0.72	0.79	0.92	0.81	0.72	0.79	0.92	0.81	0.72
Net Income per Carrier, \$	0.01	0.01	0.01	0.00	0.03	0.01	0.04	0.04	0.03	0.01	0.04	0.04	0.03	0.01	0.04	0.04
Liquidity																
Cash Thru, \$	0.43	0.40	1.14	0.75	1.33	0.75	1.49	1.47	1.33	0.75	1.49	1.47	1.33	0.75	1.49	1.47
Working Capital, \$	0.15	0.41	0.87	0.94	1.21	0.89	1.52	0.56	1.21	0.89	1.52	0.56	1.21	0.89	1.52	0.56
Current Ratio	1.09	1.32	1.21	1.24	1.67	1.42	0.74	0.87	1.67	1.42	0.74	0.87	1.67	1.42	0.74	0.87
Days Cash Oper Exp in Work Cap	5.48	16.84	11.92	12.38	24.54	15.47	41.26	17.23	24.54	15.47	41.26	17.23	24.54	15.47	41.26	17.23
Average Days Collection Period	36.31	35.20	35.59	31.53	31.19	26.54	46.68	49.60	31.19	26.54	46.68	49.60	31.19	26.54	46.68	49.60
Leverage & Debt Service																
Funded Debt to Equity	0.33	0.34	0.58	0.63	0.10	0.15	0.68	0.47	0.10	0.15	0.68	0.47	0.10	0.15	0.68	0.47
Net Debt to Equity	0.24	0.08	0.21	0.30	0.27	0.20	0.58	0.40	0.27	0.20	0.58	0.40	0.27	0.20	0.58	0.40
Funded Debt to Tangible Net Worth	0.46	0.44	0.71	0.78	0.10	0.16	0.70	0.49	0.10	0.16	0.70	0.49	0.10	0.16	0.70	0.49
Cash Thru to Funded Debt Due in One Year, %	2448.26	1269.61	238.58	280.88	787.60	314.08	60.13	119.73	787.60	314.08	60.13	119.73	787.60	314.08	60.13	119.73
Cash Thru to Total Funded Debt, %	70.35	69.05	53.66	35.50	346.65	151.62	21.60	32.16	346.65	151.62	21.60	32.16	346.65	151.62	21.60	32.16
Interest to Total Funded Debt, %	9.27	6.18	9.96	9.43	13.89	14.89	7.59	5.83	13.89	14.89	7.59	5.83	13.89	14.89	7.59	5.83
Carrier Property (Net) to Equity	0.82	0.79	0.95	0.97	0.51	0.66	0.90	0.70	0.51	0.66	0.90	0.70	0.51	0.66	0.90	0.70
Additional Ratios																
Receivables to Payables	0.85	1.24	1.11	0.96	1.49	1.26	0.93	0.82	1.49	1.26	0.93	0.82	1.49	1.26	0.93	0.82
Deprec to Debt Due in One Year	17.50	9.72	1.64	2.87	3.22	2.64	0.28	0.53	3.22	2.64	0.28	0.53	3.22	2.64	0.28	0.53
Total Tang Prop to Equity	0.87	0.85	0.98	1.04	0.59	0.75	1.07	0.84	0.59	0.75	1.07	0.84	0.59	0.75	1.07	0.84
Income Before Extra Items Etc to Equity, %	5.59	5.50	8.76	0.26	21.25	3.75	6.74	8.29	21.25	3.75	6.74	8.29	21.25	3.75	6.74	8.29
Gross Revenues to Total Tang Prop	6.39	6.43	7.76	7.40	8.31	8.93	1.34	1.58	8.31	8.93	1.34	1.58	8.31	8.93	1.34	1.58

5 Northwestern 4 1978				6 Middlewestern 10 1978				7 Southwestern 2 1978				8 Rocky Mountain 4 1978				9 Pacific 18 1978				Total All Regions 126 1978			
1977				1977				1977				1977				1977				1977			
\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
3.17	100.0	2.46	100.0	7.63	100.0	7.68	100.0	1.85	100.0	1.82	100.0	3.09	100.0	2.72	100.0	15.11	100.0	13.40	100.0	101.49	100.0	97.03	100.0
0.09	3.0	0.11	4.3	0.22	2.8	0.24	3.1	0.04	2.0	0.03	1.8	0.08	2.7	0.07	2.7	0.31	2.1	0.34	2.5	3.10	3.1	3.15	3.2
0.21	6.7	0.05	2.2	1.90	24.9	2.07	27.0	0.06	3.1	0.08	4.5	0.24	7.9	0.21	7.6	4.56	30.2	3.25	24.3	15.53	15.3	13.34	13.7
2.96	93.6	2.35	95.7	7.68	100.7	8.05	104.9	1.86	100.3	1.82	100.4	3.02	97.8	2.60	95.6	14.62	96.8	13.19	98.5	99.55	98.1	96.47	99.4
0.20	6.4	0.11	4.3	0.05-	0.7-	0.37-	4.9-	0.01-	0.3-	0.01-	0.4-	0.07	2.2	0.12	4.4	0.49	3.2	0.21	1.5	1.93	1.9	0.57	0.6
0.00	0.1	0.00	0.2	0.11	1.4	0.08	1.0	0.01	0.3	0.00	0.2	0.02	0.7	0.01	0.5	0.14	0.9	0.17	1.3	1.12	1.1	0.84	0.9
0.49	15.3	0.27	10.9	0.06	0.7	0.56-	7.3-	0.01-	0.6-	0.01-	0.3-	0.06	2.1	0.12	4.3	0.69	4.6	0.40	3.0	3.65	3.6	1.52	1.6
0.17	5.2	0.09	3.8	0.01	0.1	0.02	0.3	0.00	0.0	0.00	0.2	0.01	0.3	0.01	0.5	0.11	0.8	0.12	0.9	0.69	0.7	0.55	0.6
0.02	0.5	0.03	1.3	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.01-	0.5-	0.01	0.1	0.00	0.0	0.12	0.1	0.02	0.0
0.00	0.0	0.00	0.0	0.61	8.0	0.76	9.9	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.61	0.6	0.76	0.8
0.31	9.6	0.14	5.8	0.66	8.6	0.20	2.6	0.01-	0.6-	0.01-	0.5-	0.06	1.8	0.14	5.0	0.57	3.8	0.28	2.1	3.51	3.5	1.75	1.8
0.44	18.7	0.43	22.8	0.33	6.3	0.33	7.6	0.02	0.6	0.01-	0.02-	0.25	20.7	0.32	27.9	0.71	13.5	0.87	16.8	5.93	10.2	5.74	11.1
0.01	0.3	0.01	0.4	0.00	0.0	0.06	1.4	3.26	90.3	2.59	89.7	0.04	3.5	0.05	4.5	0.19	3.6	0.10	2.0	4.11	7.1	3.25	8.3
0.40	17.2	0.34	18.1	1.39	26.5	1.10	25.3	0.14	3.9	0.10	3.6	0.27	22.0	0.27	23.4	1.39	26.2	1.24	24.0	10.72	18.4	9.47	18.4
0.04	1.6	0.04	2.3	0.10	2.0	0.04	1.0	0.02	0.6	0.03	0.9	0.02	1.6	0.02	1.7	0.19	3.6	0.19	3.7	1.64	2.8	1.74	3.4
0.00	0.1	0.01	0.3	0.01	0.1	0.01	0.2	0.02	0.5	0.02	0.5	0.00	0.2	0.00	0.4	0.02	0.4	0.02	0.4	0.99	1.7	0.64	1.2
0.13	5.4	0.09	5.0	0.03	0.5	0.03	0.6	0.00	0.0	0.00	0.0	0.01	0.4	0.00	0.1	0.04	0.7	0.03	0.5	0.34	0.6	0.37	0.7
1.01	43.2	0.93	48.9	1.86	35.4	1.57	36.0	3.46	95.9	2.73	94.5	0.59	48.4	0.67	57.9	2.54	48.0	2.46	47.6	23.73	40.8	21.19	41.1
1.20	51.2	1.11	58.4	3.20	61.0	3.05	69.8	0.52	14.5	0.49	17.1	1.15	94.5	1.00	86.8	4.41	83.3	4.48	86.5	45.66	78.5	42.99	83.3
0.78	33.4	0.76	39.9	2.13	40.6	2.09	48.0	0.43	11.8	0.39	13.5	0.67	54.6	0.61	52.8	3.01	56.7	3.18	61.3	26.27	45.1	26.41	51.2
0.42	17.9	0.35	18.5	1.07	20.5	0.95	21.8	0.10	2.7	0.10	3.6	0.49	39.9	0.39	34.0	1.41	26.5	1.31	25.2	19.39	33.3	16.57	32.1
1.23	52.3	0.89	46.7	1.17	22.4	1.06	24.3	0.13	3.5	0.14	4.7	0.49	40.1	0.39	34.0	2.38	45.0	2.32	44.7	23.60	40.6	20.27	39.3
0.05	2.1	0.05	2.6	0.29	5.6	0.20	4.6	0.02	0.5	0.02	0.6	0.06	4.8	0.06	5.5	0.18	3.4	0.18	3.5	2.25	3.9	2.05	4.0
0.06	2.4	0.03	1.8	1.92	36.7	1.53	35.1	0.00	0.1	0.00	0.1	0.08	6.6	0.03	2.6	0.19	3.6	0.22	4.2	8.60	14.8	8.07	15.6
2.34	100.0	1.90	100.0	5.24	100.0	4.36	100.0	3.61	100.0	2.89	100.0	1.22	100.0	1.16	100.0	5.30	100.0	5.18	100.0	58.18	100.0	51.59	100.0
0.00	0.0	0.00	0.1	0.86	16.5	0.39	8.8	2.96	82.1	2.31	79.8	0.07	5.9	0.05	4.5	0.03	0.5	0.02	0.4	5.36	9.2	3.79	7.4
0.00	0.0	0.00	0.0	0.13	2.6	0.20	4.5	0.00	0.0	0.00	0.0	0.01	0.8	0.00	0.0	0.06	1.2	0.15	3.0	1.28	2.2	1.27	2.8
0.28	11.7	0.16	8.4	1.23	23.4	0.76	17.4	0.12	3.4	0.10	3.5	0.11	8.9	0.13	10.8	0.94	17.7	1.16	22.5	8.24	14.2	7.76	15.0
0.09	4.0	0.08	4.3	0.10	1.8	0.10	2.2	0.04	1.0	0.01	0.3	0.04	3.3	0.02	2.0	0.14	2.7	0.16	3.1	1.24	2.1	1.13	2.2
0.09	3.7	0.04	2.1	0.03	0.5	0.05	1.3	0.00	0.1	0.01	0.3	0.02	1.9	0.02	1.6	0.20	3.7	0.10	2.0	0.77	1.3	0.59	1.1
0.00	0.0	0.00	0.1	0.28	5.3	0.18	4.2	0.03	0.7	0.02	0.8	0.05	4.4	0.03	2.8	0.22	4.2	0.25	4.8	3.72	6.4	2.26	4.4
0.19	8.1	0.16	8.3	0.08	1.5	0.12	2.7	0.11	2.9	0.07	2.4	0.02	1.9	0.02	2.1	0.22	4.2	0.17	3.3	1.69	2.9	1.50	2.9
0.65	27.7	0.44	23.3	2.70	51.6	1.79	41.0	3.26	90.3	2.52	87.1	0.33	27.2	0.28	23.9	1.81	34.2	2.02	39.0	22.30	38.3	18.30	35.5
0.74	31.6	0.76	40.1	0.09	1.8	0.78	17.8	0.60	16.6	0.60	20.8	0.00	0.0	0.00	0.0	0.31	5.9	0.43	8.3	2.16	3.7	3.37	6.5
0.00	0.0	0.02	1.1	0.66	12.7	0.57	13.1	0.01	0.3	0.02	0.7	0.19	15.7	0.15	13.0	0.96	18.1	0.92	17.7	8.69	14.9	7.68	14.9
0.74	31.6	0.78	41.2	0.76	14.4	1.35	30.9	0.61	16.9	0.62	21.5	0.19	15.7	0.15	13.0	1.27	24.0	1.35	26.0	10.85	18.7	11.05	21.4
0.00	0.0	0.02	1.0	0.94	17.0	0.75	17.0	0.04	1.0	0.04	1.0	0.25	20.0	0.18	15.0	1.18	22.0	1.17	22.0	12.41	21.0	9.94	19.0
0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.01	1.0	0.00	0.0	0.01	0.0	0.01	0.0	0.19	0.0	0.13	0.0
0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.01	1.0	0.04	0.7	0.02	0.5	0.32	0.6	0.15	0.3
1.39	59.3	1.22	64.5	3.46	66.0	3.14	72.0	3.87	107.2	3.14	108.6	0.54	43.9	0.44	37.9	3.12	59.0	3.40	65.7	33.66	57.9	29.64	57.4
0.95	40.7	0.67	35.5	1.78	34.0	1.22	28.0	0.26-	7.2-	0.25-	8.6-	0.68	56.1	0.72	62.1	2.17	41.0	1.78	34.3	24.52	42.1	21.95	42.8
1.69	72.0	1.46	76.0	2.54	48.0	2.57	58.0	0.35	9.0	0.37	12.0	0.88	71.0	0.87	75.0	3.44	64.0	3.12	60.0	35.37	60.0	33.00	63.0
2.34	100.0	1.90	100.0	5.24	100.0	4.36	100.0	3.61	100.0	2.89	100.0	1.22	100.0	1.16	100.0	5.30	100.0	5.18	100.0	58.18	100.0	51.59	100.0
Northwestern 1978				Middlewestern 1978				Southwestern 1978				Rocky Mountain 1978				Pacific 1978				All Regions 1978			
1977				1977				1977				1977				1977				1977			
3.32	3.64	4.28	6.27	7.11-	7.28-	4.51	3.79	6.95	7.54	4.13	4.41												
1.87	1.68	3.00	2.98	5.28	4.88	3.52	3.13	4.38	4.28	2.86	2.94												
7.56	6.99	7.11	8.06	19.20	17.32	6.34	6.93	10.74	10.25	5.23	5.85												
2.63	2.21	2.38	2.52	3.55	3.68	2.67	2.71	3.42	2.98	2.22	2.25												
15.34	10.86	0.72	7.28-	0.58-	0.27-	2.05	4.26	4.57	3.01	3.60	1.57												
28.69	18.32	2.19	21.73-	3.08-	1.35-	7.22	13.39	20.07	12.93	10.33	4.62												
9.63	5.79	8.63	2.56	0.62-	0.45-	1.78	4.96	3.77	2.09	3.46	1.80												
31.99	21.13	36.98	16.11	4.46	3.34	8.05	18.82	26.20	15.77	14.33	7.99												
26.06	12.64	22.88-	50.96-	1.87-	2.32-	9.19	15.32	22.75	11.72	9.28	2.92												
93.67	95.87	102.08	105.84	100.59	100.64	98.50	96.07																

Carrier Group B

Region Number	1 New England				2 Middle Atlantic				3 Central				4 Southern			
Region Number of Carriers Year	42 1978		1977		108 1978		1977		106 1978		1977		69 1978		1977	
Income Statement																
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Income & Expense Data																
Gross Revenues	93.38	100.0	84.50	100.0	244.99	100.0	230.98	100.0	238.27	100.0	212.63	100.0	169.22	100.0	141.36	100.0
Depreciation	3.43	3.7	2.99	3.5	7.00	2.9	6.54	2.8	7.38	3.1	6.97	3.3	7.24	4.3	6.38	4.5
Purchased Transportation	6.63	7.1	5.80	6.9	41.99	17.1	38.13	16.5	45.76	19.2	39.71	18.7	22.69	13.4	16.96	12.0
Total Operating Expenses	91.40	97.9	83.32	98.6	237.28	96.9	224.01	97.0	230.24	96.6	207.60	97.6	158.68	93.8	132.62	93.8
Net Carrier Operating Income	1.98	2.1	1.18	1.4	7.71	3.1	6.97	3.0	8.03	3.4	5.03	2.4	10.54	6.2	8.74	6.2
Interest Expense	0.97	1.0	0.78	0.9	1.81	0.7	1.56	0.7	1.94	0.8	1.70	0.8	1.97	1.2	1.50	1.1
Net Income Before Taxes	2.17	2.3	0.81	1.0	7.14	2.9	6.86	3.0	7.86	3.3	4.82	2.3	8.82	5.2	7.11	5.0
Income Taxes—Current	0.46	0.5	0.38	0.4	2.20	0.9	1.72	0.7	2.15	0.9	1.40	0.7	2.69	1.6	2.01	1.4
Deferred Income Taxes	0.01	0.0	0.02	0.0	0.11	0.0	0.02	0.0	0.06	0.0	0.10	0.0	0.17	0.1	0.00	0.0
Equity in Earnings of Affli	0.01	0.0	0.00	0.0	0.42	0.2	0.39	0.2	0.03	0.0	0.04	0.0	0.24	0.1	0.12	0.1
Net Income After Taxes	1.72	1.8	0.45	0.5	5.26	2.1	5.69	2.5	5.60	2.3	3.40	1.6	6.27	3.7	5.22	3.7
Balance Sheet																
Assets																
Cash	3.28	7.3	3.36	8.9	11.95	12.0	10.35	11.5	9.53	10.9	8.97	11.3	8.27	9.8	7.23	10.0
Receivables from Affiliates	0.96	2.2	0.67	1.8	3.39	3.4	4.45	4.9	1.42	1.6	1.45	1.8	1.21	1.4	0.81	1.1
Notes & Accounts Receivable	10.08	22.5	9.43	25.0	23.51	23.5	21.29	23.6	22.95	26.2	20.72	26.1	18.38	21.8	14.98	20.7
Prepaid Expenses	1.44	3.2	1.15	3.1	3.27	3.3	2.93	3.3	3.68	4.2	3.02	3.8	2.85	3.4	2.23	3.1
Materials & Supplies	0.64	1.4	0.57	1.5	1.22	1.2	1.25	1.4	0.88	1.0	0.92	1.2	0.62	0.7	0.76	1.1
Other Current Assets	0.14	0.3	0.05	0.1	0.12	0.1	0.11	0.1	0.08	0.1	0.16	0.2	0.18	0.2	0.08	0.1
Total Current Assets	16.53	37.0	15.22	40.4	43.47	43.5	40.38	44.8	38.53	44.1	35.24	44.4	31.51	37.4	26.09	36.1
Carrier Operating Property	47.22	105.6	42.77	113.5	78.32	78.4	74.40	82.6	82.72	94.6	74.73	94.2	75.19	89.3	66.60	92.1
Reserve for Depreciation	24.50	54.8	24.15	64.1	42.48	42.5	43.69	48.5	46.63	53.3	43.00	54.2	37.38	44.4	33.87	46.9
Carrier Operating Property Net	22.72	50.8	18.62	49.4	35.84	35.9	30.71	34.1	36.08	41.3	31.73	40.0	37.81	44.9	32.73	45.3
Total Tangible Property	22.83	51.0	18.75	49.8	36.55	36.6	31.49	35.0	37.16	42.5	32.80	41.3	38.80	46.1	33.43	46.3
Intangibles	2.91	6.5	2.13	5.6	6.83	6.8	5.52	6.1	4.75	5.4	4.64	5.9	6.28	7.5	5.79	8.0
Other Assets	2.45	5.5	1.57	4.2	13.10	13.1	12.69	14.1	7.03	8.0	6.68	8.4	7.59	9.0	6.96	9.6
Total Assets	44.73	100.0	37.67	100.0	99.95	100.0	90.08	100.0	87.46	100.0	79.36	100.0	84.18	100.0	72.27	100.0
Liabilities & Equity																
Payables to Affiliates	1.28	2.9	0.46	1.2	1.97	2.0	1.79	2.0	1.77	2.0	1.62	2.0	1.88	2.2	1.04	1.4
Notes Payable	3.34	7.5	2.19	5.8	2.31	2.3	2.76	3.1	3.32	3.8	3.04	3.8	1.59	1.9	2.04	2.8
Accounts Payable	6.38	14.3	6.14	16.3	16.71	16.7	15.93	17.7	14.92	17.1	13.88	17.5	13.17	15.6	11.65	16.1
Misc Payables & Accruals	1.32	2.9	1.14	3.0	2.80	2.8	2.45	2.7	2.95	3.4	2.36	3.0	3.54	4.2	3.52	4.9
Taxes Payable	1.11	2.5	0.92	2.4	2.12	2.1	1.68	1.9	1.89	2.2	1.78	2.2	2.26	2.7	2.03	2.8
Funded Debt Due Within One Year	2.97	6.6	2.43	6.5	4.40	4.4	3.72	4.1	4.24	4.8	3.81	4.8	4.80	5.7	3.59	5.0
Other Current Liabilities	3.51	7.9	2.92	7.8	5.86	5.9	5.86	6.5	4.23	4.8	3.96	5.0	2.53	3.0	2.45	3.4
Total Current Liabilities	19.90	44.5	16.20	43.0	36.18	36.2	34.19	38.0	33.32	38.1	30.45	38.4	29.77	35.4	26.32	36.4
Advances Payable	1.32	3.0	2.08	5.5	2.39	2.4	2.36	2.6	2.13	2.4	2.99	3.8	3.94	4.7	3.45	4.8
Funded Debt Due After One Year	7.38	16.5	5.34	14.2	15.33	15.3	12.55	13.9	12.27	14.0	10.69	13.5	17.02	20.2	13.67	18.9
Total Long Term Debt	8.70	19.5	7.41	19.7	17.72	17.7	14.91	16.6	14.40	16.5	13.68	17.2	20.97	24.9	17.12	23.7
Total Funded Debt	10.35	23.0	7.77	20.0	19.73	19.0	16.27	18.0	16.52	18.0	14.50	18.0	21.83	25.0	17.27	23.0
Reserves & Est Liabilities	0.33	0.0	0.05	0.0	0.76	0.0	0.15	0.0	0.35	0.0	0.41	0.0	0.06	0.0	0.05	0.0
Accum Deferred Tax Credits	1.57	3.5	1.30	3.5	0.70	0.7	0.55	0.6	0.34	0.4	0.41	0.5	1.05	1.3	0.93	1.3
Total Liabilities	30.50	68.2	24.96	66.3	55.36	55.4	49.81	55.3	48.41	55.4	44.95	56.6	51.86	61.6	44.43	61.5
Stockholder's Equity	14.23	31.8	12.70	33.7	44.59	44.6	40.27	44.7	39.05	44.6	34.41	43.4	32.32	38.4	27.85	38.5
Total Capital	22.93	51.0	20.12	53.0	62.31	62.0	55.18	61.0	53.45	61.0	48.08	60.0	53.19	63.0	44.96	62.0
Total Liabilities & Equity	44.73	100.0	37.67	100.0	99.95	100.0	90.08	100.0	87.46	100.0	79.36	100.0	84.18	100.0	72.27	100.0
Analytical Data																
	New England 1978		1977		Middle Atlantic 1978		1977		Central 1978		1977		Southern 1978		1977	
Operating Performance																
Gross Revenues to Equity	6.56		6.65		5.49		5.73		6.10		6.17		5.23		5.07	
Gross Revenues to Total Capital	4.07		4.20		3.93		4.18		4.45		4.42		3.17		3.14	
Gross Revenues to Net Carr Oper Prop	4.10		4.53		6.83		7.52		6.60		6.70		4.47		4.31	
Gross Revenues to Carr Oper Prop (Cost)	1.97		1.97		3.12		3.10		2.88		2.84		2.25		2.12	
Pre-Tax Income to Gross Revenues, %	2.32		0.95		2.91		2.96		3.29		2.26		5.21		5.02	
Pre-Tax Income to Total Capital, %	9.46		4.02		11.45		12.42		14.71		10.03		16.55		15.81	
After Tax Income to Gross Revenues, %	1.84		0.52		2.14		2.46		2.34		1.60		3.70		3.69	
After Tax Income to Equity, %	12.09		3.51		11.79		14.12		14.33		9.89		19.39		18.75	
Return on Transportation Investment, %	10.23		6.66		17.87		18.88		19.43		13.78		26.64		26.88	
Expense Ratio, %	98.91		99.52		97.59		97.65		97.44		98.43		94.93		94.88	
Operating Ratio, %	97.87		98.60		96.85		96.98		96.63		97.63		93.77		93.82	
Average Revenue per Carrier, \$	2.22		2.01		2.27		2.14		2.25		2.01		2.45		2.05	
Net Income per Carrier, \$	0.04		0.01		0.05		0.05		0.05		0.03		0.09		0.08	
Liquidity																
Cash Throw, \$	5.16		3.41		11.95		11.87		13.01		10.43		13.44		11.50	
Working Capital, \$	3.36		0.98		7.29		6.19		5.21		4.79		7.74		0.24	
Current Ratio	0.83		0.93		1.20		1.18		1.15		1.15		1.05		0.99	
Days Cash Oper Exp in Work Cap	13.82		4.42		11.51		10.37		8.48		8.64		4.16		0.68	
Average Days Collection Period	39.41		40.73		35.03		33.64		35.15		35.56		39.64		38.67	
Leverage & Debt Service																
Funded Debt to Equity	0.72		0.61		0.44		0.40		0.42		0.42		0.67		0.62	
Net Debt to Equity	0.75		0.49		0.18		0.15		0.18		0.17		0.47		0.49	
Funded Debt to Tangible Net Worth	0.91		0.73		0.52		0.46		0.48		0.48		0.83		0.78	
Cash Throw to Funded Debt Due in One Year, %	174.02		140.28		271.34		319.08		306.67		273.62		279.84		319.80	
Cash Throw to Total Funded Debt, %	49.88		43.92		60.55		72.93		78.76		71.92		61.57		66.57	
Interest to Total Funded Debt, %	9.35		9.99		9.18		9.56		11.76		11.70		9.01		8.69	
Carrier Property (Net) to Equity	1.59		1.46		0.80		0.76		0.92		0.92		1.16		1.17	
Additional Ratios																
Receivables to Payables	1.03		1.13		1.23		1.13		1.25		1.22		1.24		1.09	
Deprec to Debt Due in One Year	1.15		1.22		1.59		1.75		1.73		1.82		1.50		1.77	
Total Tang Prop to Equity	1.60		1.47		0.81		0.78		0.95		0.95		1.20		1.20	
Income Before Extra Items Etc to Equity, %	11.89		3.59		11.78		13.65		14.53		9.79		19.17		18.72	
Gross																

Dollar Amounts in Millions

5 Northwestern 15 1978				6 Middlewestern 31 1978				7 Southwestern 22 1978				8 Rocky Mountain 15 1978				9 Pacific 86 1978				Total All Regions 494 1978			
1977				1977				1977				1977				1977				1977			
\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
31.30	100.0	25.62	100.0	70.49	100.0	59.55	100.0	51.91	100.0	41.78	100.0	38.62	100.0	31.90	100.0	213.40	100.0	180.94	100.0	1151.58	100.0	1009.25	100.0
1.15	3.7	1.07	4.2	2.32	3.3	2.15	3.6	1.80	3.5	1.62	3.9	1.61	4.2	1.28	4.0	5.39	2.5	4.63	2.6	37.32	3.2	33.63	3.3
6.70	21.4	5.78	22.6	15.43	21.9	12.68	21.3	9.12	17.6	7.59	18.2	9.69	25.1	8.48	26.6	39.57	18.5	29.32	16.2	197.59	17.2	164.45	16.3
29.12	93.1	23.93	93.4	67.12	95.2	56.99	95.7	47.53	91.6	37.79	90.5	36.62	94.8	29.64	92.9	208.07	97.5	176.07	97.3	1106.05	96.0	971.97	96.3
2.17	6.9	1.69	6.6	3.38	4.8	2.56	4.3	4.38	8.4	3.99	9.5	2.01	5.2	2.26	7.1	5.33	2.5	4.87	2.7	45.53	4.0	37.28	3.7
0.36	1.1	0.30	1.2	0.77	1.1	0.50	0.8	0.40	0.8	0.38	0.9	0.31	0.8	0.22	0.7	2.13	1.0	1.72	1.0	10.66	0.9	8.65	0.9
1.98	6.3	1.69	6.6	3.04	4.3	2.19	3.7	3.37	6.5	2.94	7.0	1.78	4.6	2.10	6.6	6.61	3.1	6.22	3.4	42.78	3.7	34.73	3.4
0.54	1.7	0.48	1.9	0.63	0.9	0.35	0.6	1.12	2.2	0.83	2.0	0.27	0.7	0.25	0.8	2.13	1.0	1.52	0.8	12.19	1.1	8.92	0.9
0.12	0.4	0.08	0.3	0.05	0.1	0.03	0.1	0.08	0.2	0.00	0.0	0.00	0.0	0.02	0.1	0.08	0.0	0.01	0.0	0.53	0.0	0.23	0.0
7.02	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.07	0.0	0.06	0.0	0.78	0.1	0.62	0.1
1.24	4.0	1.08	4.2	2.49	3.5	1.82	3.1	2.28	4.4	2.12	5.1	1.57	4.1	1.80	5.6	4.61	2.2	4.82	2.7	31.03	2.7	26.41	2.6
1.97	12.4	1.57	12.2	3.67	11.9	2.81	11.3	1.81	9.3	1.89	11.8	1.07	6.9	1.24	9.6	5.48	5.7	7.91	9.6	47.02	9.5	45.33	10.6
0.23	1.5	0.08	0.6	0.39	1.3	0.39	1.6	0.47	2.4	0.20	1.2	0.41	2.6	0.21	1.7	7.42	7.7	4.30	5.2	15.91	3.2	12.56	2.9
3.87	24.5	2.86	22.2	7.02	22.8	5.27	21.3	5.47	28.1	4.18	26.0	3.50	22.6	2.84	21.9	23.44	24.4	19.53	23.6	118.23	23.9	101.09	23.6
0.54	3.4	0.53	4.1	0.98	3.2	0.64	2.6	0.39	2.0	0.44	2.8	0.25	1.6	0.13	1.0	4.09	4.3	3.43	4.1	17.49	3.5	14.52	3.4
0.14	0.9	0.11	0.8	0.16	0.5	0.14	0.6	0.05	0.2	0.06	0.3	0.20	1.3	0.13	1.0	1.01	1.1	0.75	0.9	4.91	1.0	4.67	1.1
0.03	0.2	0.01	0.1	0.01	0.0	0.02	0.1	0.06	0.3	0.05	0.3	0.02	0.1	0.01	0.1	0.25	0.3	0.17	0.2	0.90	0.2	0.66	0.2
6.78	42.9	5.15	40.1	12.24	39.7	9.28	37.4	8.25	42.4	6.81	42.4	5.45	35.2	4.56	35.2	41.70	43.4	36.10	43.6	204.46	41.4	178.83	41.7
12.07	76.4	10.62	82.6	27.86	90.4	24.53	98.9	16.86	86.8	14.10	87.8	13.36	86.1	11.27	87.1	64.26	66.9	56.67	68.5	417.87	84.6	375.69	87.6
6.38	40.4	4.98	38.7	11.75	38.2	11.28	45.5	7.88	40.5	6.85	42.7	6.01	38.8	5.04	38.9	34.71	36.2	32.35	39.1	217.04	43.9	205.21	47.9
8.30	52.6	7.01	54.5	16.11	52.3	13.25	53.4	8.99	46.2	7.25	45.1	7.35	47.4	6.24	48.2	29.55	30.8	24.32	29.4	200.83	40.7	170.48	39.8
0.29	1.8	0.29	2.2	1.25	4.0	0.96	3.9	0.93	4.8	0.84	5.2	1.32	8.5	1.22	9.4	2.29	2.4	2.66	3.2	26.85	5.4	24.05	5.6
0.43	2.7	0.41	3.2	0.98	3.2	1.07	4.3	1.12	5.8	0.99	6.2	1.34	8.6	0.90	6.9	12.62	13.1	9.94	12.0	46.66	9.4	41.20	9.6
15.80	100.0	12.87	100.0	30.80	100.0	24.80	100.0	19.43	100.0	16.05	100.0	15.51	100.0	12.95	100.0	95.99	100.0	82.75	100.0	493.86	100.0	428.80	100.0
0.52	3.3	0.22	1.7	1.06	3.4	1.34	5.4	0.19	1.0	0.39	2.4	0.03	0.2	0.08	0.6	5.03	5.2	4.67	5.6	13.73	2.8	11.62	2.7
0.27	1.7	0.08	0.6	0.94	3.0	0.57	2.3	0.34	1.7	0.31	1.9	0.40	2.6	0.26	2.0	2.15	2.2	1.88	2.3	14.67	3.0	13.12	3.1
1.64	10.4	1.53	11.9	3.93	12.7	2.87	11.6	3.30	17.0	2.62	16.3	2.26	14.6	1.69	13.0	13.55	14.1	11.34	13.7	75.85	15.4	67.64	15.8
0.49	3.1	0.35	2.7	0.83	2.7	0.54	2.2	0.51	2.6	0.44	2.8	0.44	2.8	0.38	2.9	2.64	2.8	2.05	2.5	15.53	3.1	13.24	3.1
0.27	1.7	0.28	2.2	0.37	1.2	0.10	0.4	0.50	2.6	0.32	2.0	0.28	1.8	0.35	2.7	1.92	2.0	1.38	1.7	10.73	2.2	8.84	2.1
0.79	5.0	0.75	5.9	1.82	5.9	1.09	4.4	1.65	8.5	1.36	8.5	0.95	6.1	0.52	4.0	5.70	5.9	3.65	4.4	27.34	5.5	20.93	4.9
0.54	3.4	0.39	3.0	1.31	4.2	1.61	6.5	0.78	4.0	0.61	3.8	1.24	8.0	0.83	6.4	4.48	4.7	4.01	4.8	24.46	5.0	22.65	5.3
4.52	28.6	3.61	28.1	10.25	33.3	8.12	32.7	7.27	37.4	6.06	37.8	5.60	36.1	4.11	31.8	35.48	37.0	28.97	35.0	182.31	36.9	158.05	36.9
0.21	1.3	0.28	2.2	0.77	2.5	0.83	3.4	0.03	0.2	0.04	0.3	0.30	1.9	0.32	2.5	1.85	1.9	1.67	2.0	12.93	2.6	14.02	3.3
3.19	20.2	2.36	18.3	6.85	22.2	4.66	18.8	2.83	14.6	2.22	13.8	2.31	14.9	2.16	16.7	15.03	15.7	12.62	15.2	82.22	16.6	66.25	15.4
3.39	21.5	2.64	20.5	7.62	24.7	5.49	22.1	2.86	14.7	2.26	14.1	2.61	16.8	2.48	19.1	16.88	17.6	14.28	17.3	95.15	19.3	80.26	18.7
3.98	25.0	3.11	24.0	8.68	28.0	5.74	23.0	4.48	23.0	3.57	22.0	3.26	21.0	2.68	20.0	20.73	21.0	16.27	19.0	109.56	22.0	87.18	20.0
0.03	0.0	0.08	0.0	0.07	0.0	0.05	0.0	0.18	0.0	0.12	0.0	0.02	0.0	0.03	0.0	0.56	0.0	0.53	0.0	2.37	0.0	1.47	0.0
0.53	3.4	0.35	2.7	0.70	2.3	0.61	2.5	0.17	0.9	0.09	0.6	0.12	0.8	0.12	0.9	0.73	0.8	0.63	0.8	5.92	1.2	5.01	1.2
8.48	53.6	6.68	51.9	18.64	60.5	14.26	57.5	10.49	54.0	8.54	53.2	8.35	53.9	6.74	52.0	53.65	55.9	44.42	53.7	285.75	57.9	244.78	57.1
7.32	46.4	6.19	48.1	12.16	39.5	10.53	42.5	8.94	46.0	7.51	46.8	7.16	46.1	6.21	48.0	42.39	44.2	38.34	46.3	208.16	42.1	184.01	42.9
10.72	67.0	8.83	68.0	19.78	64.0	16.02	64.0	11.80	60.0	9.77	60.0	9.76	62.0	8.69	67.0	59.27	61.0	52.62	63.0	303.31	61.0	264.28	61.0
15.80	100.0	12.87	100.0	30.80	100.0	24.80	100.0	19.43	100.0	16.05	100.0	15.51	100.0	12.95	100.0	95.99	100.0	82.75	100.0	493.86	100.0	428.80	100.0
Northwestern 1978				Middlewestern 1978				Southwestern 1978				Rocky Mountain 1978				Pacific 1978				All Regions 1978			
1977				1977				1977				1977				1977				1977			
4.27	4.13	5.79	5.65	5.80	5.56	5.39	5.13	5.04	4.71	5.53	5.48	2.91	2.90	3.71	3.71	4.90	4.54	4.37	4.49	5.77	5.73	5.48	5.48
2.91	2.90	3.56	3.71	4.39	4.27	3.95	3.67	3.60	3.43	3.79	3.81	4.90	4.54	4.37	4.49	5.77	5.73	5.48	5.48	5.77	5.73	5.48	5.48
4.90	4.54	4.37	4.49	5.77	5.76	5.25	5.11	7.22	7.44	5.73	5.92	6.32	6.58	4.31	3.67	6.46	6.46	7.03	7.03	6.46	6.46	7.03	7.03
2.59	2.41	2.53	2.42	3.07	2.96	2.89	2.82	3.32	3.19	2.75	2.68	6.32	6.58	4.31	3.67	6.46	6.46	7.03	7.03	6.46	6.46	7.03	7.03
18.46	19.12	15.39	13.65	28.51	30.06	18.22	24.14	11.															

Carrier Group C—Analysis

Group C consists of 343 Class I general freight carriers with annual revenues in excess of \$5 million. Historically, these carriers have been the largest and financially strongest in the Industry and include most of the carriers among Group E's publicly-held carriers. In 1978, Group C accounted for 92.2% of the revenues and 93.3% of the pretax profits of all general freight carriers included in this study.

For comparative purposes, average length of haul (ALOH) has been used to segment carriers because operating authorities for this group are multi-regional or, in some instances, transcontinental. In addition, Group C has been further segmented into two revenue groupings:

Group C-1 consists of 116 carriers with annual revenues between \$5 million and \$10 million.

Group C-2 consists of 227 carriers with annual revenues in excess of \$10 million.

As with the other sections, the data summarized for 1978 and 1977 are for the same carriers to ensure comparability of analysis.

In 1978, Group C showed the best carrier operating performance, both in absolute and comparative terms of the general freight carriers groups included in this study. As these carriers are able to effect certain economies of size and attract professional management, superior operating performance and capital structure are to be expected for this group. However, rather than reiterate analysis given in the overall composite, this group study concentrates on the variations observed dependent upon the average length of haul of the two revenue groupings.

Group C-1

Revenues for the 116 medium size carriers advanced 8.6% to \$791.9 million with revenue performance varying sharply between the short-haul carriers (250 miles and under) and the long-haul carriers (251 miles and over). For the short-haul carriers, revenues were up 11% and intercity tonnage and mileage increased slightly by 2.7% and 3.5%, respectively. In contrast, the long-haul carriers posted a 1.5% decline in revenues and a decline in intercity mileage of 7.3% and a modest 2.7% increase in tonnage.

These medium sized carriers in Group C-1 relied more upon non-owned revenue equipment than the composite average, and purchased transportation expense was up 17.4%. The group as a whole was cautious in adding new revenue equipment and compared to the composite had older equipment representing a smaller percentage of total assets. Of all the general freight categories studied, the long-haul carriers in Group C-1 had the highest reliance upon purchased transportation at 3.8 times that of the composite.

Group C-1's operating performance was less favorable than the composite. The operating ratio showed a slight deterioration (97.1% to 97.4%) as did the expense ratio (97.8% to 98.2%) demonstrating a slightly reduced carrier operating performance for the group as a whole; however, the difference in these ratios between the two ALOH categories was not significant.

Group C-1 had net income before taxes of \$21.9 million, up 25% and net income after taxes posted a 52.2% increase to \$20.4 million. Yet, as a slightly improved percentage of revenues, both pretax and after-tax income at 2.8% and 2.6%, respectively, compared unfavorably with the composite. On the other hand, Group C-1's return on equity (ROE) of 16.23% compared favorably to the composite's 15.41% with the long-haul carriers in this group having the highest ROE of the general freight carriers studied at 29.55%.

Liquidity for Group C-1, as a whole, was more than adequate, with the group registering an improvement in all liquidity measures with the exception of a minor increase in the average day's collection period. Cash throw increased 22% and working capital 33%. Group C-1 had cash that was 1.97 times funded debt due within one year. The current ratio improved slightly to 1.21 to 1 and days cash operating expenses in working capital improved by approximately two days to 11.06 days. In most respects, Group C-1's liquidity position was similar to the composite. However, within the ALOH categories, the short-haul carriers had the best liquidity position with a current ratio and day's cash operating expenses in working capital slightly above the composite. In contrast, the long-haul carriers compared unfavorably with the composite in these ratios with a current ratio of 1.12 to 1 and day's cash operating expenses in working capital of 7.12 days. This important measure of a carrier's ability to handle daily operating expenses was well below the composite by almost 4½ days.

Group C-1 has maintained a highly leveraged position in relation to the composite, and in 1978 there were no significant changes in leverage ratios from the previous year. Total funded debt increased 14.7% and stockholders equity increased 14.2%. The funded debt to equity ratio remained unchanged at .51 to 1 comparing unfavorably with the composite ratio of .41 to 1. The net debt to equity ratio improved slightly to .21 to 1 and compared favorably with the composite due to Group C-1's strong working capital position.

Operating authority (intangibles) declined slightly as a percentage of total assets to 5.2% and was below the composite average of 6.7%. There was no change in the ratio of funded debt to tangible net worth which remained at .59 to 1, significantly above the composite average of .48 to 1.

Again, there was a wide variation among the ALOH categories in their respective leverage positions. The short-haul carriers, with the strongest balance sheet, compared closely with the composite in regard to leverage. In contrast, the long-haul carriers were substantially more leveraged. While slightly improved from the previous year, the leverage ratios of the long-haul carriers in Group C-1 were the worst in comparison to the various composite groups, with this ALOH category showing a funded debt to equity ratio of 1.29 to 1.

For Group C-1, as a whole, debt service remained adequate. However, the coverage of cash throw to funded debt due within one year declined from 2.7 times to 2.6 times and was significantly below the composite ratio of 5.1 times. Both ALOH categories showed adequate coverage of funded debt due within one year. Cash throw to total funded debt improved slightly from .60 to 1 to .64 to 1, and if it were possible to apply Group C-1's cash throw against total funded debt, this group of carriers would be paid off in slightly over a year-and-one-half, and while a longer period than the composite average, somewhat less than carrier Group A and B. However, within the ALOH categories, the long-haul carriers would take approximately 2¼ years to pay off total funded debt if all cash throw could be used for that purpose, the longest for any of the composite groups.

Group C-2 Analysis

Revenues for Group C-2 rose 17% to a record high of \$13.97 billion. These 227 large carriers posted gains in both intercity mileage and tonnage of 8.5% and 9.3% respectively. All ALOH categories reported satisfactory increases in revenues, tonnage, and mileage for the year. Purchased transportation expense increased significantly by 32.6% and as a percentage of revenues, rose to 9.3%, slightly less than the composite average of 10.4%. Within Group C-2, each ALOH category reported an increase in the use of non-owned equipment; however, purchased

transportation expenditures, as a percentage of revenues, were the lowest for those carriers with the longest ALOH. Due in large measure to the pressure from inflation on costs, operating expenses were up 17.3% which slightly exceeded revenue growth. The operating ratio of 94.32%, although slightly deteriorated from the previous year, compared favorably with the composite's ratio. Results differed among the ALOH categories with the longest ALOH carriers (751 miles and over) reporting the best ratio of 93.03% and the 501 miles through 750 miles category showing the poorest performance with an operating ratio of 95.2%.

Pre-tax income increased 8.4% and net income after taxes was up 10.1% to a record \$463.7 million; however, this growth only modestly exceeded the inflation rate in 1978. While after tax income as a percentage of revenues declined from 3.5% to 3.3%, it compared favorably with the composite's average of 3.2%. All ALOH categories reported increased net profits, and the longest ALOH carriers were the most profitable, with net income after taxes as a percentage of revenues of 4.0%. All of the ALOH categories reported a satisfactory return on equity with the two longer haul categories reporting a return in excess of the composite's performance.

Liquidity for Group C-2 remained at satisfactory levels in each ALOH category; however, results were mixed on a year-to-year basis. Cash throw increased 12.4%, but working capital declined slightly by 3.1%. While the current ratio compared favorably with the composite's average, it declined from 1.29 to 1 to 1.22 to 1. The days' cash operating expenses in working capital declined by 2.5 days to 11.95 days; however, this was slightly better than the composite's average. The average days collection period lengthened modestly by 1.5 days to 30.25 days.

Within the various ALOH categories, only the 501 through 750 miles category reported liquidity below the composite average. This category showed a current ratio of 1.12 to 1, and days cash operating expenses in working capital of 6.6 days, which was a liquidity position only slightly better than that of the small carriers in Group A.

Leverage for Group C-2 increased on a year-to-year basis, although leverage measures were marginally better than those for the composite group. Total funded debt increased 27.3% and stockholders equity increased relatively less (by 11.1%) which resulted in a deteriorated funded debt to equity ratio of .40 to 1. The net debt to equity ratio increased from .14 to 1 to .20 to 1, but was slightly better than the composite's ratio. Intangibles increased slightly as a percentage of revenue from 6.6% to 6.9% with Group C-2 having a modestly higher investment in operating authorities than the composite group; however, the funded debt to tangible net worth ratio of .47 to 1 compared favorably with the composite average of .48 to 1. Within the ALOH categories, only the 501 through 750 mile category compared unfavorably with the composite in regard to leverage. This category was highly leveraged with a funded debt to equity ratio of .78 to 1 and a net debt to equity ratio of .57 to 1. Its funded debt to tangible net worth ratio of 1.02 to 1 was the second highest within the Group C categories.

Although remaining at an excellent level, Group C-2 reported a slightly weakened debt service capability from the previous year. Each of the ALOH categories showed satisfactory coverage. Cash throw to funded debt due within one year was 5.8 times and was superior to the composite's average of 5.1 times. Cash throw to total funded debt, which declined from .9 times to .8 times was modestly better than the composite's average. If all cash throw could be applied to total funded debt, Group C-2 could repay this debt in approximately 15 months.

Combined Carrier Group C

Carriers with Gross Revenues between \$5,000,000 and \$10,000,000

Average Length of Haul Number of Carriers Year	250 Miles and Under				251 Miles and Over				Sub Total, Group C-1				250 Miles and Under			
	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977
Income Statement																
Income & Expense Data																
Gross Revenues	650.55	100.0	585.91	100.0	141.31	100.0	143.45	100.0	791.86	100.0	729.36	100.0	3036.79	100.0	2610.09	100.0
Depreciation	18.46	2.8	16.76	2.9	3.72	2.6	4.61	3.2	22.18	2.8	21.37	2.9	106.73	3.5	93.76	3.6
Purchased Transportation	101.62	15.6	94.93	16.2	55.18	39.1	38.63	26.9	156.80	19.8	133.56	18.3	268.86	8.9	217.79	8.3
Total Operating Expenses	633.63	97.4	566.90	96.8	137.96	97.6	141.41	98.6	771.59	97.4	708.31	97.1	2876.50	94.7	2470.82	94.7
Net Carrier Operating Income	16.92	2.6	19.01	3.2	3.35	2.4	2.04	1.4	20.27	2.6	21.05	2.9	160.29	5.3	139.26	5.3
Interest Expense	4.80	0.7	3.63	0.6	1.54	1.1	1.50	1.0	6.35	0.8	5.13	0.7	25.22	0.8	18.67	0.7
Net Income Before Taxes	17.03	2.6	16.04	2.7	4.86	3.4	1.46	1.0	21.88	2.8	17.50	2.4	141.30	4.7	125.63	4.8
Income Taxes—Current	4.19	0.6	4.55	0.8	0.90	0.6	0.94	0.7	5.09	0.6	5.48	0.8	49.65	1.6	43.34	1.7
Deferred Income Taxes	0.15	0.0	0.10	0.0	0.14	0.1	0.14	0.1	0.29	0.0	0.05	0.0	8.28	0.3	5.29	0.2
Equity in Earnings of Affili	0.94	0.1	0.04	0.0	0.05	0.0	0.48	0.3	0.99	0.1	0.44	0.1	5.18	0.2	5.69	0.2
Net Income After Taxes	16.57	2.5	11.60	2.0	3.87	2.7	1.83	1.3	20.44	2.6	13.43	1.8	87.97	2.9	82.21	3.1

Balance Sheet

Assets																
Cash	25.90	10.4	20.60	9.5	5.44	9.9	4.90	9.4	31.34	10.3	25.50	9.5	103.49	7.6	112.34	9.5
Receivables from Affiliates	10.15	4.1	6.53	3.0	5.65	10.3	4.77	9.2	15.80	5.2	11.30	4.2	60.78	4.5	54.55	4.6
Notes & Accounts Receivable	57.58	23.2	52.61	24.3	11.21	20.4	10.14	19.6	68.80	22.7	62.75	23.3	255.07	18.7	208.84	17.7
Prepaid Expenses	8.67	3.5	6.91	3.2	1.51	2.8	1.57	3.0	10.18	3.4	8.48	3.2	32.29	2.4	29.73	2.5
Materials & Supplies	3.39	1.4	3.60	1.7	0.54	1.0	0.51	1.0	3.92	1.3	4.10	1.5	25.05	1.8	21.03	1.8
Other Current Assets	0.49	0.2	0.24	0.1	0.13	0.2	1.33	2.6	0.62	0.2	1.57	0.6	4.30	0.3	3.08	0.3
Total Current Assets	106.17	42.8	90.48	41.7	24.49	44.5	23.22	44.8	130.66	43.1	113.70	42.3	480.98	35.3	429.58	36.3
Carrier Operating Property	210.01	84.7	196.63	90.7	11.18	74.8	40.59	78.3	251.19	82.9	237.22	88.3	1308.28	96.1	1151.21	97.3
Reserve for Depreciation	109.94	44.4	106.06	48.9	20.79	37.8	22.03	42.5	130.74	43.2	128.08	47.7	636.21	46.8	571.84	48.3
Carrier Operating Property Net	100.07	40.4	90.57	41.8	20.39	37.0	18.56	35.8	120.45	39.8	109.13	40.6	672.08	49.4	579.37	49.0
Total Tangible Property	104.92	42.3	95.17	43.9	21.44	38.9	19.70	38.0	126.36	41.7	114.87	42.7	685.26	50.4	599.99	50.1
Intangibles	13.38	5.4	12.22	5.6	2.44	4.4	2.18	4.2	15.82	5.2	14.39	5.4	55.54	4.1	47.47	4.0
Other Assets	23.40	9.4	19.04	8.8	6.68	12.1	6.77	13.1	30.08	9.9	25.82	9.6	139.08	10.2	113.13	9.6
Total Assets	247.87	100.0	216.91	100.0	55.04	100.0	51.87	100.0	302.92	100.0	268.78	100.0	1360.86	100.0	1183.07	100.0
Liabilities & Equity																
Payables to Affiliates	6.13	2.5	5.41	2.5	1.01	1.8	1.04	2.0	7.15	2.4	6.44	2.4	27.75	2.0	17.15	1.4
Notes Payable	6.05	2.4	7.54	3.5	0.82	1.5	0.58	1.1	6.87	2.3	8.12	3.0	6.59	0.5	6.82	0.6
Accounts Payable	35.43	14.3	30.55	14.1	10.69	19.4	11.78	22.7	46.13	15.2	42.33	15.7	141.01	10.4	120.72	10.2
Misc Payables & Accruals	7.07	2.9	6.00	2.8	2.86	5.2	1.52	2.9	9.94	3.3	7.52	2.8	37.63	2.8	30.62	2.6
Taxes Payable	2.79	1.1	2.69	1.2	0.75	1.4	1.21	2.3	3.55	1.2	3.90	1.5	24.59	1.8	21.32	1.8
Funded Debt Due Within One Year	13.37	5.4	11.05	5.1	2.52	4.6	1.91	3.7	15.89	5.2	12.97	4.8	48.10	3.5	40.82	3.5
Other Current Liabilities	15.13	6.1	12.44	5.7	3.20	5.8	2.83	5.5	18.33	6.1	15.27	5.7	106.06	7.8	88.46	7.5
Total Current Liabilities	85.98	34.7	75.68	34.9	21.87	39.7	20.87	40.2	107.85	35.6	96.55	35.9	391.73	28.8	325.91	27.5
Advances Payable	9.60	3.9	8.94	4.1	4.22	7.7	1.11	2.1	13.82	4.6	10.05	3.7	57.20	4.2	69.96	5.9
Funded Debt Due After One Year	74.87	14.1	29.05	13.4	14.47	26.3	14.85	28.6	49.34	16.3	43.90	16.3	205.45	15.1	155.59	13.2
Total Long Term Debt	44.47	17.9	37.99	17.5	18.70	34.0	15.96	30.8	63.16	20.9	53.95	20.1	262.65	19.3	225.54	19.1
Total Funded Debt	48.23	19.0	40.11	18.0	17.00	30.0	16.76	32.0	65.23	21.0	56.87	21.0	253.55	18.0	196.41	16.0
Reserves & Est Liabilities	1.43	0.0	1.97	0.0	0.42	0.0	2.33	4.0	1.85	0.0	4.30	1.0	35.15	2.0	33.29	2.0
Accum Deferred Tax Credits	3.20	1.3	2.98	1.4	0.98	1.8	0.80	1.5	4.18	1.4	3.78	1.4	57.72	4.2	47.72	4.0
Total Liabilities	135.08	54.5	118.62	54.7	41.96	76.2	39.97	77.1	177.04	58.4	158.58	59.0	747.24	54.9	632.47	53.5
Stockholder's Equity	112.79	45.5	98.29	45.3	13.08	23.8	11.90	22.9	125.87	41.6	110.19	41.0	613.62	45.1	550.60	46.5
Total Capital	157.26	63.0	136.29	62.0	31.78	57.0	27.86	53.0	189.04	62.0	164.15	61.0	876.27	64.0	776.14	65.0
Total Liabilities & Equity	247.87	100.0	216.91	100.0	55.04	100.0	51.87	100.0	302.92	100.0	268.78	100.0	1360.86	100.0	1183.07	100.0

Analytical Data

Operating Performance																
Gross Revenues to Equity	5.76	5.96			10.80	12.05			6.29	6.61			4.94	4.74		
Gross Revenues to Total Capital	4.13	4.29			4.44	5.14			4.18	4.44			3.46	3.36		
Gross Revenues to Net Carr Oper Prop	6.50	6.46			6.93	7.72			6.57	6.68			4.51	4.50		
Gross Revenues to Carr Oper Prop (Cost)	3.09	2.97			3.43	3.53			3.15	3.07			2.32	2.26		
Pre-Tax Income to Gross Revenues, %	2.61	2.73			3.43	1.01			2.76	2.39			4.65	4.81		
Pre-Tax Income to Total Capital, %	10.82	11.76			15.27	5.24			11.57	10.65			16.12	16.18		
After Tax Income to Gross Revenues, %	2.54	1.97			2.73	1.27			2.58	1.84			2.89	3.14		
After Tax Income to Equity, %	14.69	11.79			29.55	15.36			16.23	12.18			14.33	14.93		
Return on Transportation Investment, %	14.06	18.03			14.56	9.74			14.14	16.66			21.05	20.38		
Expense Ratio, %	98.13	97.37			98.72	99.62			98.24	97.81			95.55	95.37		
Operating Ratio, %	97.39	96.75			97.62	98.57			97.44	97.11			94.72	94.66		
Average Revenue per Carrier, \$	6.78	6.10			7.07	7.17			6.83	6.29			28.12	24.17		
Net Income per Carrier, \$	0.17	0.12			0.19	0.09			0.18	0.12			0.81	0.76		
Liquidity																
Cash Throw, \$	34.24	28.30			7.67	6.10			41.92	34.40			197.80	175.57		
Working Capital, \$	20.19	14.81			2.63	2.35			22.81	17.16			89.25	103.66		
Current Ratio	1.23	1.19			1.12	1.11			1.21	1.17			1.22	1.31		
Days Cash Oper Exp in Work Cap	11.92	9.81			7.12	6.22			11.06	9.09			11.73	15.87		
Average Days Collection Period	32.30	32.77			28.96	25.80			31.71	31.40			30.65	29.20		
Leverage & Debt Service																
Funded Debt to Equity	0.42	0.40			1.29	1.40			0.51	0.51			0.41	0.35		
Net Debt to Equity	0.13	0.14			0.90	1.05			0.21	0.24			0.18	0.09		
Funded Debt to Tangible Net Worth	0.48	0.46			1.59	1.72			0.59	0.59			0.45	0.39		
Cash Throw to Funded Debt Due in One Year, %	256.18	256.02			304.15	318.80			263.80	265.28			411.23	430.07		
Cash Throw to Total Funded Debt, %	70.99	70.55			45.15	36.39			64.26	60.48			78.01	89.38		
Interest to Total Funded Debt, %	9.95	9.04			9.08	8.94			9.73	9.01			9.94	9.50		
Carrier Property (Net) to Equity	0.88	0.92			1.55	1.55			0.95	0.99			1.09	1.05		
Additional Ratios																
Receivables to Payables	1.38	1.38			0.97	0.82			1.29	1.24			1.72	1.83		
Deprec to Debt Due in One Year	1.38	1.51			1.47	2.40			1.39	1.64			2.21	2.29		
Total Tang Prop to Equity	0.93	0.96			1.63	1.65			1.00	1.04			1.11	1.07		
Income Before Extra Items Etc to Equity, %	12.08	11.75			29.55	7.23			13.89	11.26			14.35	15.01		
Gross Revenues to Total Tang Prop	6.20	6.15			6.59	7.28			6.26	6.34			4.43	4.40		

Dollar Amounts in Millions

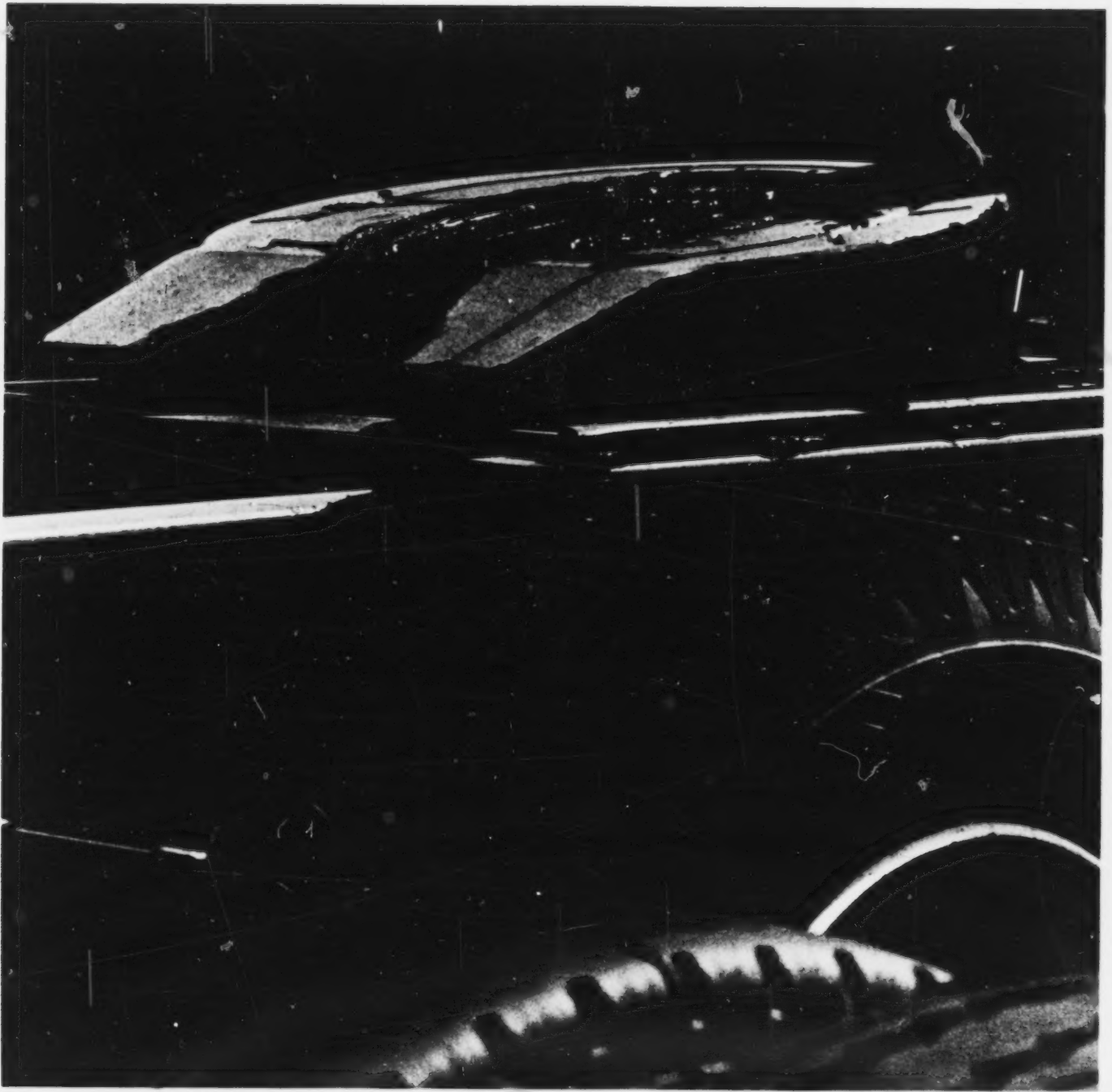
Carriers with Revenues over \$10,000,000

Total Carriers with
Gross Revenues
Over \$10,000,000
Subtotal Group C-2
227

Total Carriers with
Gross Revenues
Over \$5,000,000
Combined Group C
343

251 Through 500 Miles				501 Through 750 Miles				751 Miles & Over				Subtotal Group C-2				Combined Group C			
70		1977		31		1977		18		1977		227		1977		343		1977	
\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
3033.39	100.0	2583.59	100.0	3583.28	100.0	3083.45	100.0	4317.40	100.0	3665.17	100.0	13970.86	100.0	11942.30	100.0	14762.71	100.0	12671.66	100.0
94.96	3.1	92.88	3.6	123.46	3.4	108.96	3.5	172.52	4.0	142.17	3.9	497.67	3.6	437.77	3.7	519.84	3.5	459.14	3.6
331.25	10.9	251.00	9.7	447.53	12.5	320.18	10.4	255.70	5.9	194.12	5.3	1303.34	9.3	983.08	8.2	1460.14	9.9	1116.64	8.8
2874.90	94.8	2459.65	95.2	3410.43	95.2	2934.80	95.2	4016.56	93.0	3372.63	92.0	13178.42	94.3	11237.90	94.1	13950.02	94.5	11946.21	94.3
158.48	5.2	123.94	4.8	172.84	4.8	148.65	4.8	300.81	7.0	292.54	8.0	792.43	5.7	704.40	5.9	812.70	5.5	725.45	5.7
23.88	0.8	18.24	0.7	40.27	1.1	26.43	0.9	29.23	0.7	22.43	0.6	118.61	0.8	85.77	0.7	124.96	0.8	90.80	0.7
141.40	4.7	112.17	4.3	144.84	4.0	133.54	4.3	291.90	6.8	292.41	8.0	719.45	5.1	663.75	5.6	741.33	5.0	681.25	5.4
44.90	1.5	38.22	1.5	49.59	1.4	45.57	1.5	103.70	2.4	110.78	3.0	247.83	1.8	237.91	2.0	252.92	1.7	243.40	1.9
5.28	0.2	4.04	0.2	7.38	0.2	6.62	0.2	29.78	0.7	23.02	0.6	50.72	0.4	38.97	0.3	51.01	0.3	39.02	0.3
21.90	0.7	16.64	0.6	0.30	0.0	2.24	0.1	16.33	0.4	11.88	0.3	43.71	0.3	36.44	0.3	44.70	0.3	36.89	0.3
113.21	3.7	86.87	3.4	88.18	2.5	83.75	2.7	174.31	4.0	168.42	4.6	463.66	3.3	421.25	3.5	484.10	3.3	434.67	3.4
108.07	7.3	97.78	7.4	105.77	6.8	91.20	7.0	275.74	12.2	224.77	12.2	593.08	8.9	526.09	9.3	624.42	9.0	551.58	9.3
43.50	2.9	33.18	2.5	14.08	0.9	13.26	1.0	14.22	0.6	18.54	1.0	132.58	2.0	119.53	2.1	148.38	2.1	130.83	2.2
258.85	17.5	216.68	16.5	302.57	19.3	238.55	18.3	341.65	15.2	275.32	15.0	1158.15	17.4	939.39	16.7	1226.94	17.6	1002.13	17.0
48.05	3.2	43.95	3.3	71.30	4.6	61.39	4.7	83.07	3.7	64.82	3.5	234.71	3.5	199.89	3.5	244.89	3.5	208.37	3.5
23.12	1.6	20.00	1.5	27.10	1.7	23.21	1.8	39.81	1.8	32.20	1.8	115.08	1.7	96.43	1.7	119.00	1.7	100.54	1.7
5.87	0.4	4.66	0.4	7.18	0.5	6.05	0.5	9.77	0.4	8.42	0.5	27.11	0.4	22.21	0.4	27.73	0.4	23.78	0.4
487.47	32.9	416.24	31.7	527.99	33.7	433.65	33.4	764.27	33.9	624.06	33.9	2260.70	33.9	1903.53	33.8	2391.36	34.3	2017.23	34.2
1069.81	72.3	989.29	75.3	1359.05	86.8	1151.19	88.5	1817.20	80.6	1531.19	83.3	5554.34	83.4	4822.88	85.6	5805.53	83.4	5060.09	85.7
526.78	35.6	494.41	37.6	608.32	38.8	541.27	41.6	730.99	32.4	633.56	34.4	2502.30	37.6	2241.09	39.8	2633.04	37.8	2369.17	40.1
543.03	36.7	494.88	37.7	750.73	47.9	609.92	46.9	1086.21	48.2	897.63	48.3	3052.04	45.8	2581.79	45.8	3172.50	45.6	2690.92	45.6
560.30	37.9	511.56	38.9	764.11	48.8	616.77	47.4	1106.90	49.1	911.59	49.6	3116.57	46.8	2632.81	46.7	3242.93	46.6	2747.68	46.5
103.75	7.0	87.51	6.7	121.01	7.7	105.48	8.1	178.82	7.9	130.38	7.1	459.13	6.9	370.85	6.6	474.94	6.8	385.24	6.5
327.98	22.2	298.38	22.7	152.90	9.8	144.34	11.1	203.27	9.0	173.04	9.4	823.22	12.4	728.88	12.9	853.30	12.3	754.70	12.8
1479.50	100.0	1313.69	100.0	1566.02	100.0	1300.25	100.0	2253.25	100.0	1839.07	100.0	6659.62	100.0	5636.08	100.0	6962.54	100.0	5904.86	100.0
13.52	0.9	22.55	1.7	22.01	1.4	12.25	0.9	18.56	0.8	8.95	0.5	81.84	1.2	60.89	1.1	88.38	1.3	67.33	1.1
5.19	0.4	8.00	0.6	1.74	0.1	0.10	0.0	2.46	0.1	1.84	0.1	15.98	0.2	16.76	0.3	22.85	0.3	24.88	0.4
131.52	8.9	105.83	8.1	132.99	8.5	110.04	8.5	190.51	8.5	152.32	8.3	596.03	8.9	488.91	8.7	642.16	9.2	531.24	9.0
39.83	2.7	35.26	2.7	49.33	3.1	38.07	2.9	63.12	2.8	46.94	2.6	189.91	2.9	150.89	2.7	199.84	2.9	158.40	2.7
20.99	2.0	25.17	1.9	56.76	3.6	39.57	3.0	68.11	3.0	43.14	2.3	178.45	2.7	129.20	2.3	182.00	2.6	133.10	2.3
35.40	2.7	39.18	3.0	51.38	3.3	37.41	2.9	26.90	1.2	17.22	0.9	165.79	2.5	134.63	2.4	181.68	2.6	147.60	2.5
112.35	7.6	94.53	7.2	154.15	9.8	126.12	9.7	243.05	10.8	183.13	10.0	615.61	9.2	492.24	8.7	633.94	9.1	507.51	8.6
370.81	25.1	330.52	25.2	468.36	29.9	363.55	28.0	612.71	27.2	453.53	24.7	1843.61	27.7	1473.52	26.1	1951.45	28.0	1570.06	26.6
32.81	2.2	20.26	1.5	94.52	6.0	62.04	4.8	107.00	4.7	59.32	3.2	291.52	4.4	211.57	3.8	305.34	4.4	221.62	3.8
212.46	14.4	177.93	13.5	363.84	23.2	265.23	20.4	261.26	11.6	216.36	11.8	1043.00	15.7	815.11	14.5	1092.34	15.7	859.01	14.5
245.46	16.6	198.19	15.1	458.35	29.3	327.27	25.2	368.25	16.3	275.68	15.0	1334.52	20.0	1026.68	18.2	1397.69	20.1	1080.64	18.3
251.86	17.0	217.11	16.0	415.22	26.0	302.64	23.0	288.16	12.0	233.58	12.0	1208.79	18.0	949.74	16.0	1274.02	18.0	1006.61	17.0
15.88	1.0	17.42	1.0	27.05	1.0	38.32	2.0	36.36	1.0	28.71	1.0	114.45	1.0	117.74	2.0	116.30	1.0	122.04	2.0
78.51	5.3	67.84	5.2	85.41	5.5	78.02	6.0	139.67	6.2	119.87	6.5	361.30	5.4	313.45	5.6	365.48	5.2	317.23	5.4
710.46	48.0	613.96	46.7	1039.18	66.4	807.17	62.1	1157.00	51.3	877.79	47.7	3653.88	54.9	2931.39	52.0	3830.92	55.0	3089.98	52.3
769.04	52.0	699.73	53.3	526.84	33.6	493.08	37.9	1096.25	48.7	961.28	52.3	3005.74	45.1	2704.68	48.0	3131.62	45.0	2814.88	47.7
1014.30	68.0	897.92	68.0	985.19	62.0	820.35	63.0	1464.50	64.0	1236.96	67.0	4340.27	65.0	3731.37	66.0	4529.30	65.0	3895.51	65.0
1479.50	100.0	1313.69	100.0	1566.02	100.0	1300.25	100.0	2253.25	100.0	1839.07	100.0	6659.62	100.0	5636.08	100.0	6962.54	100.0	5904.86	100.0
251 Through 500 Miles				501 Through 750 Miles				751 Miles & Over				Over \$10,000,000				Over \$5,000,000			
1978		1977		1978		1977		1978		1977		1978		1977		1978		1977	
3.94		3.69		6.80		6.25		3.93		3.81		4.64		4.41		4.71		4.50	
2.99		2.87		3.63		3.75		2.94		2.96		3.21		3.20		3.25		3.25	
5.58		5.22		4.77		5.05		3.97		4.08		4.57		4.62		4.65		4.70	
2.83		2.61		2.63		2.67		2.37		2.39		2.51		2.47		2.54		2.50	
4.66		4.34		4.04		4.33		6.76		7.97		5.14		5.55		5.02		5.37	
13.94		12.49		14.70		16.27		19.93		23.63		16.57		17.78		16.36		17.48	
3.73		3.36		2.46		2.71		4.03		4.59		3.31		3.52		3.27		3.43	
14.72		12.41		16.73		16.96		15.90		17.51		15.42		15.57		15.45		15.44	
24.02		21.34		21.32		21.86		24.30		27.38		22.84		23.38		22.49		23.11	
95.56		95.90		96.30		96.03		93.70		92.63		95.17		94.81		95.34		94.99	
94.77		95.20		95.17		95.17		93.03		92.01		94.32		94.10		94.49		94.27	
43.33		36.91		115.59		99.47		239.86		203.62		61.55		52.61		43.04		36.94	
1.62		1.24		2.84		2.70		9.68		9.36		2.04		1.86		1.41		1.27	
191.56		167.15		218.71		197.09		360.28		321.73		968.34		861.54		1010.26		895.94	
116.66		85.72		59.63		70.10		151.56		170.53		417.10		430.02		439.91		447.17	
1.31		1.25		1.12		1.19		1.24		1.37		1.22		1.29					

Carriers of Special Commodities



Carrier Group D Analysis

This group consists of 1,444 Class I, and some Class II, motor carriers of special commodities with annual revenues in excess of \$1 million. The same number of carriers are studied in 1978 and 1977 to ensure compatibility of analysis. For 1978, these carriers accounted for 31% of the estimated regulated industry revenues.

The ICC classifies all motor freight into seventeen divisions. The first division, the general freight carriers, was studied in the preceding sections of this analysis. Of the remaining sixteen special commodity divisions, seven are reviewed here in some detail, and the rest are consolidated into a single division, termed Other Special Commodities.

Characteristics differ between the general freight and special commodity carriers with the following being the most distinguishable. Most special commodity shipments tend to move directly from the point of origin to the point of destination and, therefore, terminal operations are not as crucial as with the general freight carriers. Special commodity carriers also tend to have fewer shippers than general freight carriers, and most shipments are moved in truckload quantities. Although the practice is not universal, many special commodity carriers contract with independent agents to effect the movement of point-to-point truckload shipments resulting in a high degree of purchased transportation expenditures in comparison to the general freight carriers.

Overall, Group D performed satisfactorily in 1978, improving profitability and maintaining an adequate financial condition. Group D's revenues in 1978 rose 17.1% over 1977 to \$11.4 billion. The average revenue per carrier was \$7.9 million. This growth in revenues was assisted by rate increases and gains in intercity tonnage and mileage of 4.7% and 6.5% respectively.

Net income after taxes was \$316.6 million, up 22.8%. The operating ratio improved slightly declining from 95.9% to 95.7%. Interest expense increased both in dollars and as a percentage of revenues. Purchased transportation expenditures increased 17.5% in dollars and comprised 36.5% of revenues as compared with 36.3% in the previous year. The special commodity carriers have historically relied heavily upon the use of non-owned revenue equipment. Group D carriers reported improved profitability measures with return on transportation investment (RTI) and return on equity (ROE) ratios of 20.9% and 17.3% respectively.

Balance sheet proportions in 1978 did not change significantly from the previous year. Net carrier operating property rose slightly as a percentage of total assets from 43.5% to 44.3%, and with a lower percentage of depreciation for carrier operating property, Group D had a slightly newer fleet of revenue equipment than in the previous year.

Liquidity remained adequate, although there was a slight decline in the current ratio from 1.18 to 1.17, and days of cash operating expenses in working capital declined modestly from 9.4 to 9.2. Cash throw improved slightly as a percent of revenues from 6.2 to 6.3.

In general, the special commodity carriers tend to be more leveraged than the general freight carriers. Group D was in a slightly more leveraged position in 1978 than in 1977. Total funded debt increased 22.4% and stockholders' equity was up relatively less by 16.8% which resulted in a modestly deteriorated funded debt to equity ratio of .65 to 1.

Debt coverage remained at adequate levels. Cash throw to debt due in one year increased from 241.8% to 243.6%, and cash throw to total funded debt declined from 62.6% to 61.1%. If it were possible to apply all cash throw to total funded debt, Group D could repay this debt in slightly over 1½ years.

Household Goods Carriers

This classification of motor carriers principally transports property used in households, offices, institutions, and such fragile items as electronic equipment, computers, etc.

Revenues for the 136 "moving companies" reporting increased 13.8% to \$1.6 billion with the average revenue per carrier being \$11.6 million. Intercity tonnage increased 4.1%; however, mileage declined by .3%. There was a slight deterioration in the operating ratio which increased from 99.1% to 99.8%. This performance was the poorest of the special commodity classifications studied. Household Goods carriers generate additional revenue from non-moving operations such as warehousing, and, as usual, pre-tax income exceeded net carrier operating income. Interest expense rose 49.5% as a result of increased debt and higher interest rates experienced during the year. Net income after taxes declined 18.1% to \$23.5 million, and as a percentage of revenues, declined from 2.1% to a modest 1.5%. These companies rely heavily on owner operators, and purchased transportation expenditures were 51.4% of revenues in 1978, almost the same level as last year. Return on equity of 9.4% was significantly below the 17.3% reported by the Combined Group D Carriers, and the return on transportation investment of 1.75% was the poorest return of the special commodity classifications studied.

The Household Goods carriers showed a decline in all liquidity measures, although liquidity was adequate with a current ratio of 1.19 and days of cash operating expenses in working capital of 14.6 days. The average days collection period was the longest observed in Group D at 60 days. However, it should be noted that the Federal

Government is a major customer of this group and is generally slow in paying freight charges or settling claims. The Household Goods carriers are less leveraged than the combined Group D with funded debt representing only 9% of total footings. Debt coverage declined slightly from the previous year. However, with low debt requirements, coverage remains good. Cash throw to funded debt due in one year was 278% and cash throw to total funded debt was 68%.

Heavy Machinery

These 58 carriers generally transport heavy machinery, oil field equipment, industrial components, and large equipment of unusual size such as aerospace vehicles, etc. Their performance is related to capital expenditures made by industry and government. While results of many motor carrier groups are considered coincident indicators of economic activity generally, this particular group's results would be more of the "leading" indicator type, reflecting the trend in capital expenditures.

Revenues increased 18.8% to \$549.9 million. The average revenue per carrier in 1978 was \$9.5 million. Both intercity tonnage and mileage increased 14.1% and 5.6% respectively. Operations improved over the previous year, and the operating ratio, the best of the Group D carriers, declined slightly (93.75% to 92.93%). Net income after taxes was up significantly by 47.8% to \$20.5 million and as a percent of revenues was 3.7%. Profitability measures for the Heavy Machinery carriers were the highest among the special commodity classifications studied with a Return on Equity ratio of 25.7% and a Return on Transportation Investment ratio of 39.3%. These carriers rely heavily upon non-owned revenue equipment, and Purchased Transportation expenditures increased in 1978 to 51.8% of revenues, significantly above the average for Group D of 36.5%.

The heavy haulers showed the best liquidity position of the various classifications studied in Group D. Cash throw and working capital were up 28.9% and 34.4% respectively. All liquidity measures showed an improvement except for the average days collection period which lengthened 3 $\frac{1}{2}$ days to 40 $\frac{1}{2}$ days.

In terms of leverage, these carriers were in a strong condition with a funded debt to equity ratio of only 34%. Debt coverage for the heavy haulers was the best of the special commodity classifications studied with cash throw to total funded debt due in one year of 504% and cash throw to total funded debt of 118%.

Petroleum Products

This segment of carriers hauls road and crude oil, kerosene, gasoline, and other liquid motor fuels in bulk or barrels. Also included are carriers which haul chemicals, coal tar, edible oils, butane, propane, and other petroleum derivatives in bulk only. Data are shown for 159 carriers.

Revenues increased 14.4% to \$1.6 billion, aided by tonnage and mileage gains of 3.1% and 6.4% respectively. Net income after taxes rose significantly by 38.8% to \$50.8 million—due to a decline in depreciation and operating expenses as a percent of revenues. The final net represented a return on the revenue dollar of 3.2%. The operating ratio improved, declining from 95.3% to 94.4%. Return on equity of 16.4% and return on transportation investment of 18.9% were higher than in the previous year.

Liquidity declined slightly, but was still at a comfortable level and better than the Group D average. Leverage and debt coverage was improved over 1977; however, a review of this carrier classification must take into consideration the specialized and costly nature of its equipment, which results in higher debt and leverage characteristics for these carriers than for Group D as a whole.

The funded debt to equity ratio was 84% compared to an average funded debt to equity ratio of 65% for Group D. The coverage of cash throw to funded debt due in one year was 251% and cash throw to total funded debt was 53%.

For a more detailed review of this classification, the reader may refer to "A Financial Analysis of the For-Hire Tank Truck Industry" published yearly by National Tank Truck Carriers, Inc. in which these carriers are included.

Refrigerated Products

The 131 carriers in this group transport liquid and solid perishable goods which require the use of temperature-controlled trailer units. Perishables include such items as fresh fish, meat, meat products, vegetables, processed dairy products, fruit juices, and assorted beverages.

Revenues rose 13.3% to \$1.2 billion while intercity tonnage and mileage rose 13.7% and 2.3% respectively. This group continued to have the highest dependence on purchased transportation of the special commodity categories (56.2% of revenues); however, the proportion of net carrier operating property (43.8% of assets) was only slightly below the combined Group D average (44.3% of assets) and reflects the high cost of insulated/refrigerated trailers which are usually company-owned. The operating ratio deteriorated slightly from 96.2% to 96.3. Net income increased 6.2% to \$26 million.

Liquidity was slightly improved and adequate, although days cash operating expenses in working capital (6.9 days) remained below Group D's average (9.2 days). Leverage, which increased, continues to be on the high side with a funded debt to equity ratio of .76 to 1. Although cash throw to funded debt due in one year declined from 2.5 times to 2.0 times, debt service remains adequate.

Agricultural Products

This category includes 103 carriers which haul raw agricultural products, including feed, grain, tobacco, milk, and livestock. This sample should not be taken as representative of the Agricultural Motor Carrier Industry as a whole, which consists largely of small unregulated operators.

Partly based on a 6.6% gain in tonnage and a 13.1% increase in mileage, revenues advanced 21.8% to \$388.5 million. Net earnings after taxes declined 2.3% to \$9.9 million, largely due to increased operating expenses. Net income as a percentage of revenues decreased from 3.2% to 2.5%, slightly below Group D's average of 2.8%. The operating ratio deteriorated from 94.95% to 95.53%. Return on equity and return on transportation investment declined to 17% and 18.2% respectively, with these ratios being the lowest of the Group D classifications. Liquidity declined with the Agricultural Products carriers reporting a negative working capital position of \$1.8 million, and a current ratio of .97.

These carriers were the most leveraged of the Special Commodity classifications studied, with a Funded Debt to Equity ratio of 1.2 to 1. Debt coverage also declined and was the lowest in the Group D classifications. Cash throw to funded debt due in one year was 144% and cash throw to total funded debt was 44%.

Motor Vehicles

The 39 carriers in this category transport new or used automobiles and trucks, either wholly or partially assembled.

Growth in automobile sales in 1978 resulted in a significant gain for motor vehicle carriers. Revenues advanced 21.7% to \$1.2 billion. Tonnage and mileage were up

7.2% and 6.8% respectively, by year-end 1978. Net earnings increased a healthy 34.2% to \$37.1 million. These carriers relied the least upon non-owned revenue equipment, and purchased transportation expenditures as a percentage of revenues declined slightly to 10.7%. The operating ratio improved, declining from 96.1% to 95.6%. Return on equity increased from 18.0% to 20.2% and was above the combined Group D average.

Liquidity remained a problem with the motor vehicle carriers showing a negative working capital position and a current ratio which increased from 0.87 to 0.89. Leverage increased although the funded debt to equity ratio of 56% was below that of Group D. Debt coverage remained adequate and was also better than Group D's coverage.

Building Materials Carriers

There are 118 carriers in this classification which are engaged in the transportation of lumber, cut stone, slate, and similar materials usually transported on flatbed vehicles. Structural steel and products requiring dump trucks are not included. These carriers like the "heavy haulers" would be considered a "leading" group with regard to economic indicators, with their results indicative of residential and business construction trends.

Construction activity was at a high level during 1978, and this was reflected in an improved performance by the Building Materials Carriers. Intercity tonnage and mileage grew significantly by 12.3% and 13.2% respectively. Revenues were up 21.2% to \$700.4 million, and net income after taxes increased 34.4% to \$19.5 million or 2.8% of revenues. The operating ratio declined from 95.7% to 95.1%, and all other measures of operating performance suggest improvement. While liquidity measures were more favorable than in the previous year, liquidity for this classification remains significantly below the Group D average. The days cash operating expenses in working capital was only 1.3 days compared

to 9.2 days for Group D. Leverage improved; however, these carriers remain highly leveraged with the Funded Debt to Equity ratio of 98% being the second highest among the special commodity classifications studied. Debt coverage, while improved over the previous year, was still below the Group D average.

Other Special Commodities Carriers

Data is shown for 700 motor carriers which do not fit the preceding categories. These carriers transport all other commodities which, due to size, weight, or other characteristics, usually require special handling or equipment.

Revenues were up for these carriers by 17.9% to \$4.1 billion. The average revenue per carrier was \$5.8 million. Net income increased 27% to \$129 million, and as a percentage of revenues was slightly higher than the combined Group D. Purchased transportation rose slightly as a percentage of revenues from 35.6% to 36.4%. The operating ratio showed a modest improvement to 95.09% and compared favorably with the Group D average. Return on equity improved to 18.8% versus 17.3% in the previous year. Liquidity remained adequate and was slightly better than Group D as a whole. Leverage increased slightly although remaining below the average for Group D. Debt Coverage remained adequate and compared favorably with the average for all special commodity carriers studied.

Carrier Group D

Commodity Classification	Household Goods				Heavy Machinery				Petroleum Products				Refrigerated Products			
Number of Carriers	136				58				159				131			
Year	1978				1977				1978				1977			
Income Statement																
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Income & Expense Data																
Gross Revenues	1576.30	100.0	1384.66	100.0	549.94	100.0	462.78	100.0	1605.87	100.0	1404.05	100.0	1237.91	100.0	1092.53	100.0
Depreciation	18.16	1.2	14.97	1.1	11.74	2.1	10.57	2.3	82.04	5.1	72.99	5.2	35.48	2.9	28.68	2.6
Purchased Transportation	809.75	51.4	710.39	51.3	285.01	51.8	228.29	49.3	367.31	22.9	316.91	22.6	695.20	56.2	615.83	56.4
Total Operating Expenses	1572.62	99.8	1371.56	99.1	511.07	92.9	433.88	93.8	1515.99	94.4	1338.71	95.3	1192.21	96.3	1051.48	96.2
Net Carrier Operating Income	3.67	0.2	13.11	0.9	38.87	7.1	28.90	6.2	89.88	5.6	65.34	4.7	45.70	3.7	41.05	3.8
Interest Expense	11.11	0.7	7.43	0.5	3.46	0.6	2.52	0.5	24.22	1.5	17.71	1.3	11.72	0.9	8.47	0.8
Net Income Before Taxes	39.75	2.5	49.40	3.6	35.58	6.5	25.55	5.5	71.43	4.4	51.67	3.7	35.85	2.9	34.82	3.2
Income Taxes—Current	14.93	0.9	19.39	1.4	15.02	2.7	11.05	2.4	15.25	0.9	12.29	0.9	11.34	0.9	8.52	0.8
Deferred Income Taxes	2.06	0.1	1.80	0.1	0.19	0.0	0.57	0.1	7.23	0.5	5.14	0.4	0.09	0.0	0.70	0.1
Equity in Earnings of Affil	0.73	0.0	0.70	0.1	0.18	0.0	0.01	0.0	0.95	0.1	1.18	0.1	1.27	0.1	1.49	0.1
Net Income After Taxes	23.49	1.5	28.68	2.1	20.50	3.7	13.87	3.0	50.80	3.2	36.60	2.6	25.97	2.1	24.46	2.2
Balance Sheet																
Assets																
Cash	33.11	5.0	45.52	8.4	17.28	9.9	17.85	12.3	64.07	8.0	58.55	8.4	25.40	6.0	30.49	8.7
Receivables from Affiliates	55.64	8.4	26.54	4.9	4.85	2.8	2.73	1.9	19.79	2.5	17.62	2.5	16.37	3.9	10.91	3.1
Notes & Accounts Receivable	259.25	39.0	197.07	36.2	61.10	35.1	47.10	32.3	143.88	17.9	122.17	17.6	94.84	22.4	80.08	22.8
Prepaid Expenses	14.82	2.2	11.30	2.1	6.20	3.6	5.19	3.6	26.86	3.3	24.74	3.6	12.03	2.8	10.24	2.9
Materials & Supplies	6.51	1.0	5.11	0.9	1.70	1.0	1.70	1.2	16.94	2.1	15.33	2.2	4.69	1.1	3.98	1.1
Other Current Assets	17.72	2.7	13.78	2.5	1.00	0.6	1.20	0.8	2.62	0.3	2.64	0.4	1.24	0.3	0.95	0.3
Total Current Assets	387.06	58.2	299.30	54.9	92.12	52.9	75.77	52.0	274.16	34.2	241.05	34.7	154.56	36.4	136.66	38.9
Carrier Operating Property	260.79	39.2	221.55	40.7	129.93	74.6	112.18	77.0	836.40	104.3	737.06	106.2	321.59	75.8	258.09	73.4
Reserve for Depreciation	113.24	17.0	98.86	18.1	65.03	37.4	58.76	40.3	412.64	51.5	381.97	55.0	136.05	32.1	110.08	31.3
Carrier Operating Property Net	147.55	22.2	122.70	22.5	64.89	37.3	53.42	36.7	423.76	52.8	355.09	51.1	185.54	43.8	148.01	42.1
Total Tangible Property	178.05	26.8	152.38	28.0	65.71	37.7	54.18	37.2	429.74	53.6	362.04	52.1	187.21	44.1	150.43	42.8
Intangibles	11.64	1.7	9.63	1.8	9.10	5.2	8.44	5.8	31.73	4.0	31.25	4.5	22.43	5.3	19.66	5.6
Other Assets	88.72	13.3	83.68	15.4	7.17	4.1	7.31	5.0	66.27	8.3	59.99	8.6	59.88	14.1	44.92	12.8
Total Assets	665.47	100.0	544.99	100.0	174.10	100.0	145.70	100.0	801.90	100.0	694.32	100.0	424.08	100.0	351.67	100.0
Liabilities & Equity																
Payables to Affiliates	75.85	11.4	40.50	7.4	4.06	2.3	4.85	3.3	13.76	1.7	11.05	1.6	13.16	3.1	20.42	5.8
Notes Payable	20.87	3.1	15.55	2.9	2.28	1.3	3.13	2.2	11.83	1.5	10.15	1.5	9.31	2.2	8.62	2.5
Accounts Payable	142.94	21.5	106.50	19.5	26.86	15.4	24.59	16.9	81.36	10.1	68.06	9.8	48.28	11.4	41.55	11.8
Misc Payables & Accruals	6.18	0.9	10.18	1.9	2.26	1.3	2.03	1.4	15.61	1.9	13.19	1.9	5.22	1.2	4.51	1.3
Taxes Payable	10.55	1.6	8.12	1.5	5.45	3.1	2.69	1.8	12.21	1.5	9.85	1.4	12.39	2.9	10.13	2.9
Funded Debt Due Within One Year	15.46	2.3	13.39	2.5	6.40	3.7	5.21	3.6	55.37	6.9	51.31	7.4	29.52	7.0	22.35	6.4
Other Current Liabilities	52.92	8.0	41.58	7.6	10.81	6.2	7.97	5.5	32.32	4.0	25.32	3.6	14.50	3.4	15.37	4.4
Total Current Liabilities	324.76	48.8	235.82	43.3	58.12	33.4	50.47	34.6	222.46	27.7	188.94	27.2	132.38	31.2	122.94	35.0
Advances Payable	19.02	2.9	21.40	3.9	6.72	3.9	7.08	4.9	10.34	1.3	18.44	2.7	24.68	5.8	6.68	1.9
Funded Debt Due After One Year	47.70	7.2	40.34	7.4	20.82	12.0	17.65	12.1	206.45	25.7	180.57	26.0	91.05	21.5	71.01	20.2
Total Long Term Debt	66.72	10.0	61.74	11.3	27.53	15.8	24.74	17.0	216.80	27.0	199.01	28.7	115.73	27.3	77.69	22.1
Total Funded Debt	63.16	9.0	53.73	9.0	27.22	15.0	22.86	15.0	261.82	32.0	231.88	33.0	120.57	28.0	93.37	26.0
Reserves & Est Liabilities	14.73	2.0	6.90	1.0	3.26	1.0	2.72	1.0	7.86	0.0	7.48	1.0	12.15	2.0	10.90	3.0
Accum Deferred Tax Credits	9.98	1.5	8.28	1.5	5.34	3.1	4.82	3.3	44.26	5.5	35.55	5.1	6.91	1.6	5.87	1.7
Total Liabilities	416.19	62.5	312.74	57.4	94.25	54.1	82.74	56.8	491.38	61.3	430.98	62.1	267.18	63.0	217.40	61.8
Stockholder's Equity	249.28	37.5	232.25	42.6	79.85	45.9	62.96	43.2	310.53	38.7	263.34	37.9	156.90	37.0	134.27	38.2
Total Capital	316.00	47.0	293.99	53.0	107.38	61.0	87.70	60.0	527.32	65.0	462.36	66.0	272.63	64.0	211.96	60.0
Total Liabilities & Equity	665.47	100.0	544.99	100.0	174.10	100.0	145.70	100.0	801.90	100.0	694.32	100.0	424.08	100.0	351.67	100.0
Analytical Data																
	Household Goods				Heavy Machinery				Petroleum Products				Refrigerated Products			
	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977
Operating Performance																
Gross Revenues to Equity	6.32	5.96	6.88	7.35	5.17	5.33	7.88	8.13	5.17	5.33	7.88	8.13	5.17	5.33	7.88	8.13
Gross Revenues to Total Capital	4.98	4.70	5.12	5.27	3.04	3.03	4.54	5.15	3.04	3.03	4.54	5.15	3.04	3.03	4.54	5.15
Gross Revenues to Net Carr Oper Prop	10.68	11.28	8.47	8.66	3.78	3.95	6.67	7.38	3.78	3.95	6.67	7.38	3.78	3.95	6.67	7.38
Gross Revenues to Carr Oper Prop (Cost)	6.04	6.24	4.23	4.12	1.91	1.90	3.84	4.23	1.91	1.90	3.84	4.23	1.91	1.90	3.84	4.23
Pre-Tax Income to Gross Revenues, %	2.52	3.56	6.47	5.52	4.44	3.68	2.89	3.18	4.44	3.68	2.89	3.18	4.44	3.68	2.89	3.18
Pre-Tax Income to Total Capital, %	12.57	16.80	33.13	29.13	13.54	11.17	13.15	16.42	13.54	11.17	13.15	16.42	13.54	11.17	13.15	16.42
After Tax Income to Gross Revenues, %	1.49	2.07	3.72	2.99	3.16	2.60	2.09	2.23	3.16	2.60	2.09	2.23	3.16	2.60	2.09	2.23
After Tax Income to Equity, %	9.42	12.34	25.67	22.03	16.35	13.89	16.55	18.21	16.35	13.89	16.55	18.21	16.35	13.89	16.55	18.21
Return on Transportation Investment, %	1.75	7.04	39.30	36.71	18.90	16.04	22.00	25.38	18.90	16.04	22.00	25.38	18.90	16.04	22.00	25.38
Expense Ratio, %	100.47	99.58	93.56	94.29	95.91	96.60	97.25	97.01	95.91	96.60	97.25	97.01	95.91	96.60	97.25	97.01
Operating Ratio, %	99.76	99.05	92.93	93.75	94.40	95.34	96.30	96.24	94.40	95.34	96.30	96.24	94.40	95.34	96.30	96.24
Average Revenue per Carrier, \$	11.59	10.18	9.48	7.98	10.10	8.83	9.45	8.34	10.10	8.83	9.45	8.34	10.10	8.83	9.45	8.34
Net Income per Carrier, \$	0.17	0.21	0.35	0.24	0.32	0.23	0.20	0.19	0.32	0.23	0.20	0.19	0.32	0.23	0.20	0.19
Liquidity																
Cash Throw, \$	42.99	44.75	32.25	25.01	139.12	113.55	60.27	55.32	139.12	113.55	60.27	55.32	139.12	113.55	60.27	55.32
Working Capital, \$	62.30	63.48	34.01	25.30	51.70	52.12	22.18	13.72	51.70	52.12	22.18	13.72	51.70	52.12	22.18	13.72
Current Ratio	1.19	1.26	1.58	1.50	1.23	1.27	1.16	1.11	1.23	1.27	1.16	1.11	1.23	1.27	1.16	1.11
Days Cash Oper Exp in Work Cap	14.61	17.06	24.78	21.76	13.02	14.88	6.96	4.86	13.02	14.88	6.96	4.86	13.02	14.88	6.96	4.86
Average Days Collection Period	60.03	51.94	40.54	37.15	32.70	31.75	27.96	26.75	32.70	31.75	27.96	26.75	32.70	31.75	27.96	26.75
Leverage & Debt Service																
Funded Debt to Equity	0.25	0.23	0.34	0.36	0.84	0.88	0.76	0.69	0.84	0.88	0.76	0.69	0.84	0.88	0.76	0.69
Net Debt to Equity	0.05	0.09	0.16	0.12	0.49	0.48	0.43	0.42	0.49	0.48	0.43	0.42	0.49	0.48	0.43	

Agricultural Products				Motor Vehicles				Building Materials				Other Special Commodities				Total Special Commodities			
103				39				118				700				1,444			
1978		1977		1978		1977		1978		1977		1978		1977		1978		1977	
\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
388.50	100.0	318.93	100.0	1240.07	100.0	1018.97	100.0	700.44	100.0	577.86	100.0	4086.50	100.0	3466.27	100.0	11385.53	100.0	9726.04	100.0
20.55	5.3	16.60	5.2	56.49	4.6	45.57	4.5	27.59	3.9	22.96	4.0	142.62	3.5	119.93	3.5	394.68	3.5	332.27	3.4
99.94	25.7	80.05	25.1	132.37	10.7	110.12	10.8	273.72	39.1	229.11	39.6	1488.92	36.4	1235.69	35.6	4152.23	36.5	3526.38	36.3
371.15	95.5	302.84	95.0	1184.98	95.6	978.91	96.1	666.05	95.1	553.23	95.7	3885.96	95.1	3297.32	95.1	10900.03	95.7	9327.93	95.9
17.36	4.5	16.08	5.0	55.10	4.4	40.05	3.9	34.39	4.9	24.63	4.3	200.54	4.9	168.49	4.9	485.50	4.3	397.65	4.1
6.62	1.7	4.41	1.4	11.70	0.9	8.07	0.8	9.89	1.4	6.93	1.2	39.57	1.0	27.95	0.8	118.30	1.0	83.49	0.9
12.00	3.1	12.73	4.0	47.93	3.9	36.86	3.6	27.79	4.0	21.23	3.7	180.69	4.4	155.24	4.5	451.03	4.0	387.49	4.0
2.04	0.5	2.15	0.7	10.57	0.9	6.44	0.6	7.25	1.0	5.57	1.0	51.23	1.3	49.40	1.4	127.63	1.1	114.81	1.2
0.21	0.1	0.48	0.2	2.59	0.2	3.94	0.4	1.10	0.2	1.57	0.3	6.23	0.2	2.72	0.1	19.72	0.2	16.90	0.2
0.13	0.0	0.00	0.0	2.33	0.2	1.18	0.1	0.03	0.0	0.10	0.0	4.42	0.1	1.80	0.1	9.98	0.1	3.46	0.0
9.86	2.5	10.09	3.2	37.14	3.0	27.67	2.7	19.53	2.8	14.53	2.5	129.28	3.2	101.79	2.9	316.56	2.8	257.70	2.6
11.36	6.7	11.18	8.0	24.72	4.9	31.56	8.0	22.06	7.6	17.64	7.4	161.11	9.9	142.97	10.5	359.11	7.7	355.78	9.2
3.58	2.1	2.90	2.1	20.05	4.0	7.81	2.0	9.48	3.3	5.21	2.2	50.24	3.1	36.60	2.7	180.01	3.9	110.31	2.8
29.74	17.4	22.11	15.8	90.53	18.1	66.36	16.8	50.20	17.3	38.62	16.3	355.30	21.8	298.38	21.8	1084.84	23.3	871.89	22.5
6.72	3.9	6.19	4.4	12.72	2.5	9.53	2.4	9.14	3.2	8.25	3.5	49.18	3.0	41.10	3.0	137.68	3.0	116.54	3.0
4.92	2.9	3.87	2.8	9.63	1.9	8.22	2.1	5.74	2.0	4.70	2.0	24.38	1.5	20.82	1.5	74.51	1.6	63.72	1.6
0.89	0.5	0.63	0.5	0.24	0.0	0.29	0.1	1.06	0.4	1.46	0.6	14.43	0.9	14.07	1.0	39.19	0.8	35.02	0.9
57.21	33.5	46.88	33.5	157.89	31.6	123.76	31.3	97.68	33.7	75.88	32.0	654.65	40.2	553.95	40.6	1875.34	40.3	1553.24	40.1
175.38	102.7	144.99	103.5	569.58	114.0	457.90	115.8	264.66	91.4	222.07	93.8	1337.90	82.1	1151.42	84.3	3896.24	83.7	3305.26	85.3
78.10	45.7	65.54	46.8	270.19	54.1	229.37	58.0	123.07	42.5	105.67	44.6	637.69	39.1	568.18	41.6	1836.01	39.4	1618.42	41.8
97.29	57.0	79.45	56.7	299.39	59.9	228.52	57.8	141.58	48.9	116.40	49.1	700.21	43.0	583.24	42.7	2060.21	44.3	1686.84	43.5
102.16	59.8	84.06	60.0	303.04	60.7	232.34	58.7	158.68	54.8	128.49	54.3	744.64	45.7	621.49	45.5	2169.22	46.6	1785.41	46.1
4.61	2.7	4.12	2.9	6.05	1.2	5.72	1.4	9.52	3.3	7.60	3.2	82.69	5.1	71.70	5.2	177.77	3.8	158.12	4.1
6.76	4.0	4.96	3.5	32.52	6.5	33.69	8.5	23.80	8.2	24.87	10.5	147.19	9.0	118.74	8.7	432.30	3.8	378.16	9.8
170.75	100.0	140.03	100.0	499.51	100.0	395.50	100.0	289.68	100.0	236.84	100.0	1629.16	100.0	1365.87	100.0	4654.64	100.0	3874.92	100.0
4.20	2.5	2.08	1.5	16.18	3.2	13.31	3.4	3.38	1.2	2.89	1.2	47.38	2.9	42.89	3.1	177.95	3.8	137.99	3.6
9.74	5.7	8.21	5.9	31.17	6.2	2.01	0.5	7.08	2.4	6.42	2.7	38.84	2.4	29.73	2.2	103.13	2.2	83.82	2.2
17.40	10.2	14.27	10.2	58.25	11.7	45.46	11.5	33.49	11.6	26.70	11.3	197.74	12.1	173.73	12.7	606.32	13.0	500.86	12.9
1.80	1.1	1.34	1.0	11.74	2.3	9.72	2.5	5.18	1.8	4.28	1.8	34.70	2.2	31.38	2.3	82.69	1.8	71.86	1.9
2.12	1.2	2.29	1.6	5.63	1.1	5.43	1.4	5.47	1.9	5.93	2.5	36.10	2.2	31.38	2.3	89.91	1.9	75.82	2.0
21.22	12.4	13.12	9.4	28.31	5.7	25.72	6.5	29.09	10.0	24.55	10.4	110.56	6.8	93.91	6.9	295.92	6.4	249.56	6.4
2.49	1.5	1.93	1.4	53.84	10.8	39.46	10.0	11.67	4.0	8.66	3.7	74.61	4.6	59.21	4.3	253.17	5.4	199.51	5.1
58.96	34.5	43.23	30.9	177.11	35.5	141.12	35.7	95.37	32.9	79.44	33.5	539.94	33.1	457.46	33.5	1609.11	34.6	1319.41	34.1
1.07	0.6	1.40	1.0	34.14	6.8	22.92	5.8	6.27	2.2	5.67	2.4	27.61	1.7	27.94	2.0	129.85	2.8	111.53	2.9
48.78	28.06	40.25	28.7	75.37	15.1	52.73	13.3	71.57	24.7	61.74	26.1	322.04	19.8	249.76	18.3	883.78	19.0	714.07	18.4
49.85	29.2	41.65	29.7	109.51	21.9	75.66	19.1	77.84	26.9	67.41	28.5	349.65	21.5	277.70	20.3	1013.64	21.8	825.60	21.3
70.00	40.0	53.37	38.0	103.68	20.0	78.46	19.0	100.66	34.0	86.29	36.0	432.60	26.0	343.66	25.0	1179.71	25.3	963.62	24.9
0.82	0.0	1.08	0.0	4.35	0.0	5.34	1.0	3.87	1.0	3.25	1.0	19.35	1.0	15.10	1.0	66.39	1.4	52.77	1.4
2.98	1.7	2.26	1.6	24.99	5.0	19.81	5.0	10.00	3.5	8.42	3.6	31.75	1.9	26.65	2.0	136.22	2.9	111.66	2.9
112.62	66.0	88.23	63.0	315.97	63.3	241.93	61.2	187.07	64.6	158.52	66.9	940.70	57.7	776.90	56.9	2825.36	60.7	2309.44	59.6
58.12	34.0	51.80	37.0	183.55	36.7	153.57	38.8	102.61	35.4	78.32	33.1	688.47	42.3	588.97	43.1	1829.30	39.3	1565.47	40.4
107.98	63.0	93.45	66.0	293.06	58.0	229.23	57.0	180.45	62.0	145.73	61.0	1038.12	63.0	866.67	63.0	2828.71	60.8	2391.08	61.7
170.75	100.0	140.03	100.0	499.51	100.0	395.50	100.0	289.68	100.0	236.84	100.0	1629.16	100.0	1365.87	100.0	4654.64	100.0	3874.92	100.0
Agricultural Products				Motor Vehicles				Building Materials				Other Special Commodities				Total Special Commodities			
1978		1977		1978		1977		1978		1977		1978		1977		1978		1977	
6.68	6.15			6.75	6.63			6.82	7.37			5.93	5.88			6.22	6.21		
3.59	3.41			4.23	4.44			3.88	3.96			3.93	3.99			4.02	4.07		
3.99	4.01			4.14	4.45			4.94	4.96			5.83	5.94			5.53	5.77		
2.21	2.19			2.17	2.22			2.64	2.60			3.05	3.01			2.92	2.94		
3.08	3.99			3.86	3.61			3.96	3.67			4.42	4.47			3.96	3.98		
11.11	13.61			16.35	16.07			15.39	14.56			17.40	17.91			15.94	16.21		
2.53	3.16			2.99	2.71			2.78	2.51			3.16	2.93			2.78	2.65		
16.96	19.47			20.23	18.01			19.03	18.55			18.77	17.28			17.31	16.46		
18.16	19.35			19.66	18.96			23.89	21.82			24.60	24.78			20.87	20.73		
97.23	96.34			96.50	96.86			96.50	96.93			96.06	95.93			96.77	96.77		
95.53	94.95			95.55	96.06			95.09	95.73			95.09	95.12			95.74	95.91		
3.77	3.10			31.80	26.13			5.94	4.90			5.84	4.95			7.89	6.74		
0.10	0.10			0.95.															

Carrier Group E—Analysis

This group consists of 25 publicly-held motor carriers of general freight. The stocks of six of these carriers are traded on the New York Stock Exchange, six on the American Stock Exchange, and thirteen on the over-the-counter market. The data presented herein, unlike the data base in carrier Groups A through D, was compiled from consolidated annual reports to stockholders rather than year-end reports to the ICC. Several of the companies in this group have significant non-carrier activities; however, motor carrier revenues for each of these companies account for more than half of their respective consolidated gross revenues.

There have been a number of mergers and acquisitions among the publicly held motor carriers in recent years. During 1978, four transactions occurred which have resulted in a smaller number of carriers being included in Group E than in last year's Financial Analysis.

Navajo Freight Lines was merged into a subsidiary of Arkansas Best Corporation. Due to year-end timing, the consolidated financial report of Arkansas Best Corporation includes the assets and liabilities, but not the operations (income) of Navajo. The resultant impact on the

financial ratios necessitated a one-time elimination of Arkansas Best Corporation from Group E for 1978 and 1977.

The Halls-Werner merger was also completed and Werner Continental Inc. is now part of Halls Motor Transit Company.

Graves Truck Lines was acquired by American Natural Resources Company which also owns Associated Truck Lines, Inc., and Garrett Freightlines.

Rocor International has been eliminated from Group E due to McLean Trucking Company's pending purchase of Rocor's general commodity freight business, O.N.C. Freight System. Currently, McLean is operating O.N.C. under temporary authority as the purchase is subject to ICC and other regulatory agency approval.

While not affecting the 1979 Analysis, several transactions have been recently concluded which will further reduce the number of carriers included in Group E.

Gerber Products Company has acquired CW Transport Inc., which is being operated as a wholly-owned subsidiary of Gerber.

Another recent transaction was the liquidation of Merchants, Inc. and the sale of the company's assets and business to Meridian Transport Inc., and Meridian Lines Inc.

As with the other groups, the number of carriers are identical in 1978 and 1977 to provide compatibility of analysis.

These 25, publicly-held, carriers reported excellent revenue gains in 1978 with total gross revenues up 19.9% to a record \$6.5 billion, (outperforming the general freight composite by 3.7%). This superior growth was based upon cost-offsetting rate relief and increased growth in intercity tonnage and mileage of 11.5% and 6.7%, respectively. Average revenue per carrier was \$259.4 million. Operating expenses increased 20.5% and while the operating ratio deteriorated slightly to 92.62%, it continued to reflect a sound operating condition. Group E's operating ratio was only marginally above the group's five-year average of 92.54% and was better than the composite. Pretax income grew 10.6% and with slightly reduced current taxes, net income after taxes increased 13.2% to a record \$252.9 million. However, as a percentage of gross revenues, net income after taxes declined slightly to 3.9%, although better than Group E's five-year average of 3.7%, and above the composite average of 3.2%. Net income per carrier increased by over \$1 million to a record \$10.1 million.

The publicly-held carriers have traditionally replaced revenue equipment more rapidly than the other groups of carriers. The relative age of equipment is illustrated by a reserve for depreciation of 39.34% of carrier operating property (at cost) versus 45.88% for general freight carriers in the composite. Group E's net carrier operating property increased 20.5% to \$1.7 billion, the second such increase since the recession year of 1975.

For Group E, as a whole, 1978 was a very profitable year and the group posted a return on transportation investment of 24.1% and an impressive return on equity (ROE) of 16.6%; both of these ratios were superior to the composite and the ROE was the second best performance for Group E in the past five years.

Liquidity for Group E continued to be satisfactory and compared favorably with the composite. Cash throw and working capital increased 17.2% and 9%, respectively, while the average day's collection period improved marginally to 27.07 days. On the other hand, the current ratio declined slightly to 1.27 to 1, and day's cash operating expenses in working capital declined 1.67 days to 15.80 days; however, both of these liquidity measures were superior to the composite.

Group E was the least leveraged of the general freight carrier groups studied in 1978. Although the publicly-held carriers increased their leverage position from the previous year, both leverage and the ability to service debt was superb by any standard. Total funded debt increased 26.1% and stockholders equity was up 14.6%, although the latter, as a percentage of total footings, declined from 49.2% to 47.2%. The funded debt to equity ratio deteriorated slightly to .38 to 1, but was better than the five year average of .46 to 1.

The coverage of cash throw to funded debt due within one year declined from 11.5 times to 10.7 times, but provided excellent debt service and was significantly above the composite average of 5.1 times. Depreciation alone was \$249.6 million compared to funded debt due within one year of only \$51.6 million. If it were possible to apply cash throw against all funded debt, Group E carriers would be out of debt in slightly over 12 months.

In summary, the publicly-held carriers of general freight, as a whole, outperformed the industry and remain in a solid financial position.

Carrier Group E Publicly Held General Freight Carriers 1978

1. Branch Industries, Inc.
2. Briggs Transportation Company
3. C.W. Transport, Inc.
4. Carolina Freight Carriers Corporation
5. Consolidated Freightways, Inc.
6. Cooper Jarrett, Inc.
7. Eazor Express, Inc.
8. Gateway Transportation Co., Inc.
9. Hall's Motor Transit Company
10. McLean Trucking Company
11. Merchants, Inc.
12. Mid-American Lines, Inc.
13. Murphy Motor Freight Lines, Inc.
14. New Penn Motor Express, Inc.
15. Overnite Transportation Company
16. Penn Yan Express, Inc.
17. Preston Trucking Co., Inc.
18. Roadway Express, Inc.
19. Smith's Transfer Corporation
20. Spector Industries, Inc.
21. T.I.M.E. DC, Inc.
22. Transcon Lines
23. U.S. Truck Lines, Inc. of Delaware
24. Wilson Freight Company
25. Yellow Freight System, Inc.

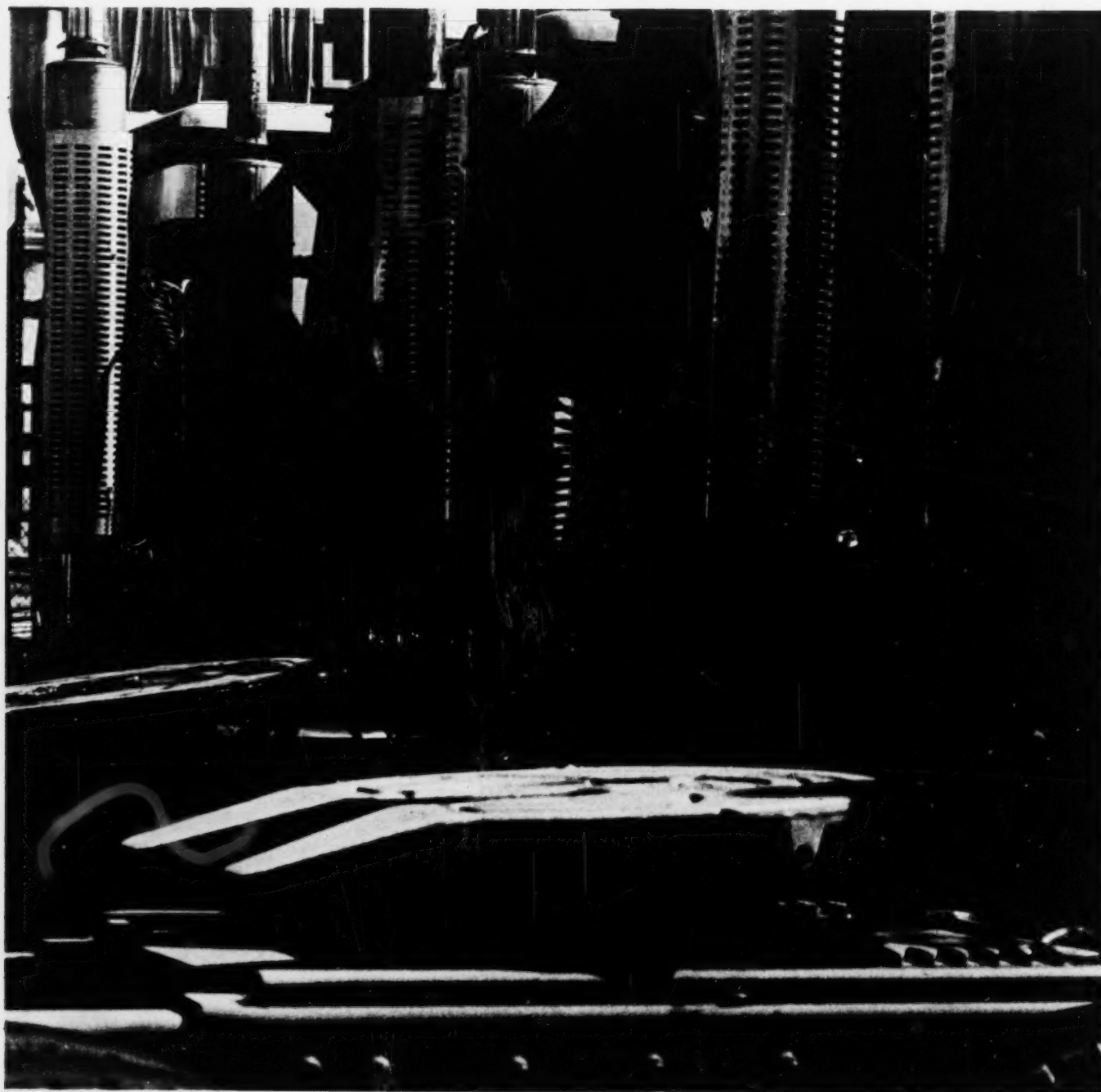
Carrier Group E

Year	1978			1977			1976			1975			1974		
Number of Carriers	25			25			30			34			37		
Income Statement															
	Total	%	Avg	Total	%	Avg	Total	%	Avg	Total	%	Avg	Total	%	Avg
	\$		\$	\$		\$	\$		\$	\$		\$	\$		\$
Income & Expense Data															
Gross Revenues	6485.4	100.0	259.4	5408.2	100.0	216.3	4901.8	100.0	163.4	4306.9	100.0	126.7	4279.7	100.0	115.7
Depreciation	249.6	3.8	10.0	206.9	3.8	8.3	195.4	4.0	6.5	203.3	4.7	6.0	183.7	4.3	5.0
Purchased Transportation	222.8	3.4	8.9	168.3	3.1	6.7	180.7	3.7	6.0	124.7	2.9	3.7	198.5	4.6	5.4
Total Operating Expenses	6006.9	92.6	240.3	4985.2	92.2	199.4	4503.8	91.9	150.1	4025.1	93.5	118.4	3960.6	92.5	107.1
Net Carrier Operating Income	478.5	7.4	19.1	423.0	7.8	16.9	398.0	8.1	13.3	281.8	6.5	8.3	319.1	7.5	8.6
Interest Expense	49.7	0.8	2.0	35.5	0.7	1.4	39.2	0.8	1.3	56.9	1.3	1.7	60.7	1.4	1.6
Net Income Before Taxes	452.5	7.0	18.1	409.1	7.6	16.4	376.7	7.7	12.6	224.9	5.2	6.6	298.2	7.0	8.1
Income Taxes—Current	150.2	2.3	6.0	144.8	2.7	5.8	157.0	3.2	5.2	NA	NA	NA	NA	NA	NA
Deferred Income Taxes	50.0	0.8	2.0	41.2	0.8	1.6	19.6	0.4	0.7	NA	NA	NA	NA	NA	NA
Equity in Earnings of Affil							2	0.0	0.0	NA	NA	NA	NA	NA	NA
Net Income After Taxes	252.9	3.9	10.1	223.5	4.1	8.9	200.6	4.1	6.7	126.3	2.9	3.7	140.6	3.3	3.8
Balance Sheet															
Assets															
Cash	366.4	11.3	14.7	308.5	11.4	12.3	382.5	15.0	12.7	278.0	11.5	8.2	219.8	9.1	5.9
Receivables from Affiliates															
Notes & Accounts Receivable	480.9	14.9	19.2	404.8	15.0	16.2	343.3	13.4	11.4	307.3	12.7	9.0	314.1	13.1	8.5
Prepaid Expenses	128.2	4.0	5.1	104.5	3.9	4.2	95.4	3.7	3.2	100.8	4.2	3.0	90.3	3.8	2.4
Materials & Supplies	174.5	5.4	7.0	137.5	5.1	5.5	119.4	4.7	4.0	99.3	4.1	2.9	142.7	5.9	3.9
Other Current Assets	28.8	0.9	1.2	18.3	0.7	0.7	12.9	0.5	0.4	NA	NA	NA	NA	NA	NA
Total Current Assets	1178.8	36.5	47.2	973.6	36.1	38.9	953.5	37.3	31.7	785.4	32.5	23.1	766.9	31.9	20.7
Carrier Operating Property	2865.4	88.7	114.6	2442.3	90.5	97.7	2299.5	89.9	76.6	2286.4	94.6	67.9	2204.2	91.7	59.6
Reserve for Depreciation	1127.2	34.9	45.1	1000.2	37.1	40.0	961.2	37.6	32.0	917.3	38.0	27.0	824.6	34.3	22.3
Carrier Operating Property—Net	1738.2	53.8	69.5	1442.1	53.4	57.7	1338.3	52.3	44.6	1369.1	56.7	40.3	1379.6	57.4	37.3
Total Tangible Property	1742.1	53.9	69.7	1455.2	53.9	58.2	1347.0	52.7	44.9	NA	NA	NA	NA	NA	NA
Intangibles	207.8	6.4	8.3	188.7	7.0	7.5	167.4	6.5	5.6	178.7	7.4	5.3	163.7	6.8	4.4
Other Assets	100.5	3.1	4.0	80.4	3.0	3.2	88.7	3.5	3.0	82.8	3.4	2.4	93.0	3.9	2.5
Total Assets	3229.2	100.0	129.2	2697.9	100.0	107.9	2556.6	100.0	85.2	2416.0	100.0	71.1	2403.2	100.0	64.9
Liabilities & Equity															
Payables to Affiliates															
Notes Payable	4.0	0.1	0.2	3.3	0.1	0.1	22.4	0.9	0.7	20.9	1.0	0.6	3.3	0.1	0.1
Accounts Payable	429.5	13.3	17.2	351.2	13.0	14.0	264.1	10.3	8.8	219.1	9.0	6.4	209.3	8.7	5.6
Misc Payables & Accruals	233.2	7.2	9.3	191.1	7.1	7.6	172.9	6.8	5.8	230.8	9.5	6.8	297.3	12.4	8.0
Taxes Payable	74.0	2.3	3.0	39.3	1.5	1.6	80.0	3.1	2.7	38.5	1.6	1.5	32.1	1.3	0.9
Funded Debt Due Within One Year	51.6	1.6	2.1	40.9	1.5	1.6	53.1	2.1	1.8	54.8	2.3	1.6	82.0	3.4	2.2
Other Current Liabilities	137.3	4.3	5.5	119.1	4.4	4.8	87.4	3.4	2.9	NA	NA	NA	NA	NA	NA
Total Current Liabilities	929.6	28.8	37.2	744.9	27.6	29.8	679.9	26.6	22.7	564.1	23.3	16.9	624.0	26.0	16.8
Advances Payable															
Funded Debt Due After One Year	522.6	16.2	20.9	414.5	15.4	16.6	439.5	17.2	14.6	507.5	21.0	14.9	602.3	25.1	16.3
Total Long Term Debt	522.6	16.2	20.9	414.5	15.4	16.6	439.5	17.2	14.6	507.5	21.0	14.9	602.3	25.1	16.3
Total Funded Debt	574.2	17.8	23.0	455.4	16.9	18.2	492.6	19.3	16.4	562.3	23.3	16.5	684.3	28.5	18.5
Reserves & Est Liabilities	53.2	1.6	2.1	39.3	1.5	1.6	32.3	1.3	1.1	42.4	1.7	1.2	26.1	1.1	0.7
Accum Deferred Tax Credits	201.0	6.2	8.0	170.6	6.3	6.8	169.6	6.6	5.6	149.3	6.2	4.4	145.8	6.1	3.9
Total Liabilities	1706.4	52.8	68.3	1369.3	50.8	54.8	1321.3	51.7	44.0	1263.3	52.3	37.2	1396.2	58.2	37.7
Stockholder's Equity	1522.8	47.2	60.9	1328.6	49.2	53.1	1235.3	48.3	41.2	1152.7	47.7	33.9	1005.0	41.8	27.2
Total Capital	2045.4	63.3	81.8	1743.2	64.6	69.7	1674.7	65.5	55.8	1660.2	68.7	48.8	1607.3	66.9	43.4
Total Liabilities & Equity	3229.2	100.0	129.2	2697.9	100.0	107.9	2556.6	100.0	85.2	2416.0	100.0	71.1	2403.2	100.0	64.9
Analytical Data															
	1978			1977			1976			1975			1974		
Operating Performance															
Gross Revenues to Equity	4.26			4.07			3.97			3.74			4.26		
Gross Revenues to Total Capital	3.17			3.10			2.93			2.59			2.66		
Gross Revenues to Net Carr Oper Prop	3.73			3.75			3.66			3.15			3.10		
Gross Revenues to Carr Oper Prop (Cost)	2.26			2.21			2.13			1.88			1.94		
Pre-Tax Income to Gross Revenues, %	6.98			7.56			7.68			5.22			6.97		
Pre-Tax Income to Total Capital, %	22.12			23.47			22.49			13.55			18.55		
After Tax Income to Gross Revenues, %	3.90			4.13			4.09			2.93			3.39		
After Tax Income to Equity, %	16.61			16.82			16.24			10.96			13.99		
Return on Transportation Investment, %	24.08			25.32			24.69			17.72			20.96		
Expense Ratio, %	93.39			92.84			92.68			94.78			93.96		
Operating Ratio, %	92.62			92.18			91.88			93.46			92.54		
Liquidity															
Cash Throw, \$	552.5			471.6			415.3			329.6*			324.3*		
Working Capital, \$	249.2			228.7			273.6			221.3			142.9		
Current Ratio	1.27			1.31			1.40			1.39			1.23		
Days Cash Oper Exp in Work Cap	15.80			17.47			23.18			21.14			13.81		
Average Days Collection Period	27.07			27.32			25.57			26.04			26.79		
Leverage & Debt Service															
Funded Debt to Equity	0.38			0.34			0.40			.49			.68		
Net Debt to Equity	0.18			0.14			0.13			.25			.46		
Funded Debt to Tangible Net Worth	0.44			0.40			0.46			.58			.81		
Cash Throw to Funded Debt Due in One Year, %	1070.74			1153.06			782.95			601.5			395.5		
Cash Throw to Total Funded Debt, %	96.22			103.56			84.32			58.6			47.4		
Interest to Total Funded Debt, %	8.66			7.80			7.96			10.1			8.9		
Carrier Property (Net) to Equity	1.14			1.09			1.08			1.19			1.37		
Additional Ratios															
Receivables to Payables	1.11			1.14			1.20			1.28			1.48		
Deprec to Debt Due in One Year	4.84			5.06			3.68			3.71			2.24		
Total Tang Prop to Equity	1.14			1.10			1.09			NA			NA		
Income Before Extra Items Etc to Equity, %	29.72			30.79			30.50			19.51			29.67		
Gross Revenues to Total Tang Prop	3.72			3.72			3.64			NA			NA		

Dollar Amounts in Millions

Note: Numbers may not add due to rounding *Cash Throw = Net Income after Taxes plus depreciation

Security Analyst Appraisal for the 1979 Financial Analysis of the Motor Carrier Industry



In this Paper I will review the Motor Carrier Industry's fundamentals over the past year-and-a-half, concentrating only on important facts and key events from the perspective of an analyst in the financial community who focuses on 10-to-13 very large general commodity carriers rather than the whole multi-faceted trucking industry.

First, I will look at some conventional facts from which industry analysts would typically draw investment conclusions in the past. I will then examine some critical events affecting the Motor Carrier Industry in the last 18 months, such as the rate regulation by the ICC, threats of deregulation, movement toward regulatory modernization and reform, the Teamster contract and legislative developments. Finally, I will come to some conclusions for the year ahead and for the longer term. While my investment views are directed

toward the outlook for the large, publicly-held general merchandise freight carriers, my special message to management is aimed at all participants.

Although tonnage handled by the entire trucking industry has generally paralleled industrial production in the last decade (see Figure 1), the leading publicly-held motor carriers have shown much more rapid and consistent growth, as is clear from Table 3 as well as the individual large company statistics contained in this report.

Not surprisingly, up until about two years ago motor carrier stocks responded to these favorable fundamentals and outperformed the market (as shown in Table 1). However, since 1976 the relative performance of the group has suffered from acute investor fears of "deregulation" as well as the combination of high relative P/E ratios and lower-than-market dividend yields for the leading motor carrier stocks.

It should be noted that the tonnage trends of the Class I Motor Carriers of general merchandise freight, as Figure 1 and Table 2 indicate, have kept pace with the general economy over this time span. In recessions, however, tonnage carried would fall more deeply than industrial production as inventory corrections occurred. Over the last 3 years the Class I carriers' tonnage trend has not kept up with the advances of industrial production. There are two possible explanations for this trend: (1) A shift to private carriage of truckload volume freight as a result of cost inflation and higher freight rate and (2) A deliberate concentration on the less-than-truckload business by the Class I carriers to increase profitability. On the other hand, these trends are not evident in the tonnage data for the three leading carriers as pictured in Table 3.

Figure 1
Industrial Production and Motor Carrier Tonnage—333 Large Carriers of General Freight

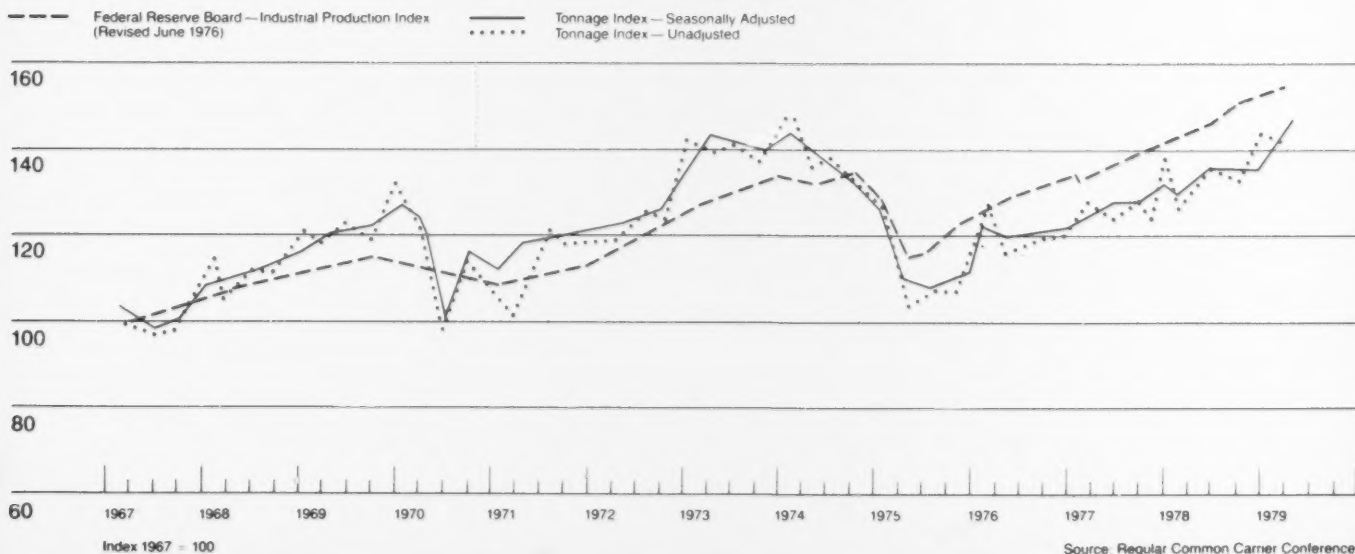


Table 1
Relative Performance of Motor Carrier Stocks

	Average S&P Trucking Stock Index	Average S&P 500 Composite	Truck Index As % Of Composite
1955	10.00	40.49	24.7%
1960	12.85	55.85	23.0
1965	26.04	88.17	29.5
1970	31.75	83.22	38.2
1971	57.63	98.29	58.6
1972	79.01	109.20	72.4
1973	85.79	107.43	79.9
1974	83.46	82.85	100.7
1975	96.33	86.16	111.8
1976	120.80	102.00	118.4
1977	99.25	98.20	101.1
1978	92.52	96.02	96.4

Source: Standard & Poors Statistics

Table 2
Operating Results of Class I Motor Carriers of General Freight (Tonnage & \$ in millions)

	Tonnage	Revenue	Expenses	Oper. Ratio	After tax Income
1968	148.6	\$ 4,655.3	\$ 4,399.7	.945	\$129.3
1969	162.8	5,284.9	5,049.1	.955	108.6
1970	148.4	5,360.1	5,170.6	.965	79.8
1971	155.6	6,335.2	5,901.1	.931	218.2
1972	169.8	7,181.5	6,726.6	.937	234.3
1973	189.4	8,258.0	7,805.1	.945	234.3
1974	177.3	8,898.5	8,327.4	.936	231.0
1975	147.5	8,002.8	7,688.6	.967	134.3
1976	160.1	9,650.2	9,108.1	.943	306.4
1977	170.1	11,124.5	10,478.6	.941	348.6
1978	176.9	12,124.5	11,918.2	.941	387.1
Least Square Growth					
1968-1978	1.1%	9.9%	9.9%	—	12.8%
1968-1972	2.2	11.1	10.6	—	20.8
1973-1978	-1.1	8.9	8.9	—	14.0

Source: Regular Common Carrier Conference

Table 3
Tonnage, Revenues, and Earnings Growth of Leading Publicly-Held Motor Carriers

(\$ Millions; Thousands of Tons)

	Consolidated Freightways (1)			Roadway Express			Yellow Freight		
	Tonnage	Revenue	Operating Income	Tonnage	Revenue	Operating Income	Tonnage	Revenue	Operating Income
1968	3,075	\$220.8	\$17.7	3,253	\$183.8	\$14.1	1,885	\$132.7	\$16.9
1969	3,252	250.3	20.6	3,583	212.5	14.7	2,220	161.7	17.1
1970	1,753	250.1	15.2	3,643	232.8	16.7	2,087	170.3	16.5
1971	2,970	295.1	27.0	4,226	304.7	32.9	2,398	215.8	26.7
1972	3,251	328.2	26.1	4,927	373.5	42.5	2,842	265.1	31.2
1973	3,660	382.5	24.8	5,542	447.6	45.0	3,504	336.4	37.4
1974	3,539	425.3	33.8	5,550	514.5	56.5	3,637	393.5	51.1
1975	3,164	415.9	32.3	4,807	503.6	59.2	3,438	417.5	51.7
1976	3,680	509.1	50.4	5,422	613.7	70.1	4,017	512.1	69.0
1977	4,191	613.4	66.0	6,355	802.0	78.7	4,847	647.9	75.6
1978	4,772	758.3	79.0	6,990	985.2	94.6	5,370	780.8	77.5
Least Square Growth									
1968-1978	5.3%	12.4%	16.0%	7.2%	17.7%	22.1%	10.8%	18.2%	19.6%
1968-1972	0.2	10.1	11.0	10.5	19.5	35.1	9.4	18.2	18.2
1973-1978	5.8	14.5	26.6	4.9	16.9	15.0	9.4	18.4	15.7

(1) General Commodities Division only.

Prior to 1970 the CNF tank lines were also included.

Source: Annual Reports

A Brief Review of the Last 5 Years of Selected Publicly-Held Carriers of General Freight

In reviewing Table 4 it is interesting to note the differences in the responses of these groups to economic forces affecting the industry as a whole. During this period the motor carrier stocks have been badly hurt by the 1974-1975 recession, investor fears of possible negative effects from deregulation, and unreasonable rate regulation. The group of leading general freight carriers, however, withstood the storm far better than the Class I and II carriers of general freight. In 1974-1975 when there was a softening in the economy, the leading publicly-held carriers' tonnage declined 12.6% while the Class I carriers

recorded a 16.8% drop. In the same period, revenues and earnings declined 8.6% and 15.0% respectively for the publicly-held group while the Class I carriers were off 10.0% and 41.9% respectively—a noticeable difference needless to say.

In 1978 the motor carrier industry was negatively impacted in general by severe weather across the nation and the traffic congestion which followed in its wake. Class I carriers reported a 4.0% tonnage gain for this period while our sample group achieved an 8.8% gain, far outperforming the Class I carriers. This achievement was also felt in revenues and earnings where our group had increases of 21.5% and 14.5%, respectively, far surpassing the gains of 9.0% and 11.0% felt by all Class I carriers.

Profitability of most carrier groups including the leading carriers has deteriorated somewhat over the last year due to the general effects of inflation on margins, delays, and inadequate freight rate relief granted by the ICC as shown in Table 4. In viewing operating ratios for the industry for the last 10 years it is worth noting that margins were near the upper end of the range but not outside the historical band of operating ratios.

Therefore, in glancing at the 1973-1978 growth rates it is noteworthy that our group has again been able to turn in a financial performance which is far better than those of the Class I carriers. We believe this pattern should continue in the future.

Table 4

Motor Carrier Industry Comparative Operating Ratios

	Class I & II Motor Carriers of General Freight	Publicly Owned Motor Carriers of General Freight	CF General Commodities Division	Roadway Express	Yellow Freight System
1966	95.2%	92.3%	91.1%	91.8%	88.9%
1967	96.5	93.8	91.6	91.7	90.8
1968	95.2	92.6	92.0	92.3	87.3
1969	96.0	93.5	91.8	93.1	89.5
1970	96.5	95.0	93.9	92.8	90.3
1971	93.6	91.2	90.8	89.2	87.6
1972	94.4	91.8	92.0	88.6	88.2
1973	94.8	92.4	93.5	89.9	88.9
1974	94.7	92.5	92.1	89.0	87.0
1975	95.1	93.5	92.2	88.2	87.6
1976	94.3	91.9	90.1	88.6	86.5
1977	94.3	92.2	89.3	90.2	88.3
1978	94.2	92.6	89.6	90.4	90.1
Average	95.0	92.7	91.5	90.5	88.5

Source: Annual Reports

Table 5

Revenue, Tonnage and Earnings Growth Of 12 Publicly Held Motor Carriers

(\$ Millions)

		1974	1975	1976	1977	1978	Least Square Growth Rate
Consolidated Freightways	Traffic (Million Tons)	3.7	3.5	3.2	3.7	4.2	3.1
	Revenue	\$ 798.6	\$ 631.2	\$ 870.6	\$1,103.0	\$1,386.1	18.1
	Earnings	26.9	18.1	38.2	52.5	62.0	31.4
Hall's Motor Transit	Traffic	1.8	1.3	1.4	1.6	1.7	0.9
	Revenues	\$ 135.8	\$ 108.1	\$ 132.0	\$ 158.1	\$ 179.7	9.9
	Earnings	4.6	2.5	4.4	5.4	5.1	10.2
IU International							
PIE	Traffic	3.0	3.1	3.3	3.8	4.9	11.1
Ryder Truck Lines	Traffic	3.0	2.8	3.8	4.9	6.0	21.5
	Total Revenues	\$ 377.7	\$ 383.7	\$ 484.3	\$ 637.6	\$ 798.7	22.2
	Total Earnings	—	—	—	—	—	—
McLean Trucking	Traffic	4.6	3.9	4.3	4.7	5.1	4.0
	Revenue	\$ 310.9	\$ 320.4	\$ 371.7	\$ 437.2	\$ 493.7	13.1
	Earnings	11.6	10.0	15.0	15.3	15.4	10.4
Merchants Inc.	Traffic	1.2	1.1	1.2	1.3	1.3	3.3
	Revenue	\$ 106.8	\$ 93.8	\$ 103.6	\$ 109.8	\$ 125.2	4.9
	Earnings	7.1	6.0	3.8	5.8	7.7	1.3
Overnite Transportation	Traffic	2.6	2.2	2.7	3.3	3.7	11.7
	Revenue	\$ 102.1	\$ 95.0	\$ 120.9	\$ 156.3	\$ 195.3	19.7
	Earnings	8.3	6.2	9.3	12.1	13.6	18.0
Preston Trucking	Traffic	2.3	2.0	2.2	2.1	2.2	(0.4)
	Revenue	\$ 94.1	\$ 92.9	\$ 110.3	\$ 122.1	\$ 145.3	(12.1)
	Earnings	7.1	6.4	7.6	6.1	7.0	(0.02)
Roadway Express	Traffic	5.5	4.8	5.4	6.3	7.0	7.8
	Revenue	\$ 514.5	\$ 503.6	\$ 613.7	\$ 802.0	\$ 985.2	19.3
	Earnings	33.4	35.5	42.9	46.6	56.9	14.3
Smith's Transfer*	Traffic	2.3	2.0	2.3	2.5	2.6	4.8
	Revenue	\$ 137.8	\$ 135.2	\$ 165.7	\$ 193.2	\$ 252.0	16.9
	Earnings	5.3	4.8	8.3	9.0	9.3	19.2
Time, D.C.	Traffic	2.2	1.5	1.3	1.3	1.3	(11.0)
	Revenue	\$ 198.9	\$ 152.0	\$ 148.0	\$ 154.5	\$ 177.1	(2.1)
	Earnings	1.4	(2.6)	0.4	2.5	4.0	—
Transcon	Traffic	1.2	1.0	1.2	1.3	1.5	7.3
	Revenue	\$ 143.3	\$ 133.9	\$ 165.5	\$ 189.7	\$ 228.7	13.7
	Earnings	3.9	2.4	4.8	3.3	5.3	9.8
Yellow Freight	Traffic	3.6	3.4	4.0	4.9	5.3	12.1
	Revenue	\$ 393.5	\$ 417.5	\$ 512.1	\$ 647.9	\$ 780.8	19.8
	Earnings	24.0	24.3	33.9	37.6	39.0	15.1
Total	Traffic	31.0	27.1	29.2	33.0	35.9	5.0
	Revenue	\$2,936.3	\$2,683.6	\$3,314.1	\$4,073.8	\$4,949.1	15.7
	Earnings	133.6	113.6	168.6	196.7	225.3	17.3
	Revenue Including IU Int'l.	\$3,314.0	\$3,067.3	\$3,798.4	\$4,711.4	\$5,747.1	16.5
	Traffic Including IU Int'l.	37.0	33.0	36.3	41.7	46.8	7.3

*1978 does not include MR&R which was added at the beginning of the year.

**Hall's does not include Warner Continental which was merged into Hall's at year-end 1978.

Source: Annual Reports

The Threat Of Unreasonable Rate Regulation In 1978

Over the last year and a half there has been growing concern about unreasonable freight rate regulation by the ICC which—for political or other reasons—did not allow the full passthrough of contractual increases in labor costs or the inflated capital, materials, supplies and other costs. In an industry which seems to have little opportunity to increase productivity, this has had an impact on margins.

After a prolonged investigation, the Interstate Commerce Commission (ICC) in November, 1978, issued a "final" decision in the Southern Motor Carriers (SMC) Rate Case, approving a 3.5% rate increase rather than the 6.2% sought by the bureau and granted in April of last year. In November the ICC ordered the southern motor carriers to cancel tariff schedules based on the requested 6.2% boost which had been in effect since April 1 pending a final commission decision and to establish new rate schedules based on the 3.5% increase within 30 days of the November 27, 1978 service date of the ruling. This decision, which had implied an imminent severe rate cut in the face of rising cost pressures, has sent leading motor carrier stocks into a tailspin. By way of background, the Commission had designated the SMC case as a lead proceeding and had used it as the focus of extensive hearings and study to determine what factors should be taken into account in rate making as well as what rate of return was needed to enable the motor carriers to attract sufficient capital to provide adequate and efficient transportation service. In reaching its "final" decision, the

ICC largely accepted the recommendations made by the Commission staff that the return on equity (ROE)¹ be used as the most appropriate financial ratio for determining financial need and that a 14%-15% rate of return, or the same ROE generally achieved for all manufacturing, should be used as a "nationwide earnings target for the motor carrier industry." The calculations contained in the order, shown in the accompanying table, support the conclusion that while the new 14%-15% ROE target would not conflict with the so-called 95% average historic operating ratio standard used by the ICC over the years, it would have resulted in a dramatic deterioration for carriers in 1979. In the worst case, SMCRC, the reduction in operating margins would be equal to about 30% while some of the other Bureaus would have shown a margin decrease of about 10-15% if that order were ever enforced.

Comparison of Key Financial Indicators
Southern Motor Carriers Rate Conference

	March 31, 1978 Actual	At 6.2% Increase	At 3.5% Increase
Return on Equity	20.35%	23.96%	14.78%
Return on Investment	24.90	29.02	18.56
Operating Ratio	93.52	92.93	95.36

Source: Interstate Commerce Commission

At the time we were not overly worried by the shift in emphasis in rate-making measures contained in the decision, but we were concerned by what we regarded as their application in an unreasonable and arbitrary fashion. For, even if the brand-new "primary standard" of a 14%-15% ROE was totally correct and the numbers going into its determination as of March 31, 1979, were beyond dispute, the imposition nine

months later of a 2.7 percentage point reduction in rates based on such data could have resulted in serious financial injury to the motor carriers and would have affected their services.

Subsequently, in February 1979 a federal court refused to disturb a temporary restraining order blocking an Interstate Commerce Commission (ICC) decision requiring southern region motor carriers to reduce last April's general rate increase, and the U.S. Court of Appeals for the District of Columbia Circuit ruled that rates should not be reduced until the Commission has acted on petitions for administrative review filed by the carriers. The Southern Motor Carrier Rate Conference (SMCRC) took the ICC to court primarily on the grounds that a rate should not be reduced while petitions for reconsideration are pending before the ICC. Apparently, the court agreed with the motor carriers but nevertheless urged the Commission to act "expeditiously" on the SMCRC petition. Even though the issues in court were primarily technical in nature, the motor carriers strengthened their legal case in their petition for ICC reconsideration and corrected earlier inaccuracies by submitting up-to-date evidence for the ICC record on

¹The ICC calculation of ROE is Net Income After Taxes plus Deferred Taxes divided by Stockholders Equity less Intangibles and Deferred Tax Credits, a different calculation than that used for manufacturing firms which includes Intangibles.

key matters such as productivity and non-Teamster wage increases. They also updated relevant financial data so that a proper rate of return analysis and assessment of current revenue needs could be made. The Commission has seemingly abandoned the threatening, but totally defective, application of the new return on equity (ROE) criterion for setting the carriers' tariffs, whereby the ICC would have required ill-conceived rate-cuts in the Southern Motor Carriers Rate Bureau case. In May, the ICC issued a little-publicized decision in which it accepted the petitions of the motor carriers and the Teamsters to reconsider its decision to use achievement of a 14% return on equity as its primary test in considering tariffs. A new investigation was launched as to what criteria (return on equity, operating ratios, return on assets) should be used in deciding rate increases. While this study is proceeding, it is already obvious that the carriers' legitimate rate requirements to offset rises in labor, nonlabor, and fuel costs have been met in a reasonable fashion. In mid-July, the ICC approved the last batch of nonlabor cost-related freight rate increases when it authorized hikes of about 2% for the Southern Motor Carriers and the Middle Atlantic Rate Conferences. These actions completed a national round of 2% freight rate boosts for the major regional rate bureaus and 3% hikes granted to some smaller rate groups whose members' financial conditions were more precarious. Thus, after a trying year and a half it is apparent freight rate regulation will be reasonable and responsive to the carriers' needs again—removing a cloud of uncertainty which had, heretofore, depressed the prices of stocks in the group.

The Labor Situation

During the first half of 1979, the motor carriers were hurt by an unexpected and unneeded "guideline strike." As a result of the unfortunate triangular collective bargaining with the Government (Council on Wage and Price Stability) involved, the industry had a 10-day shutdown in April. A "guideline" settlement was reached providing an increase of 22.5% in wages, fringes, and cost-of-living adjustments over a three-year period, which in the real world—factoring in guideline exemptions—translates into a 30% plus rise in labor costs over that time frame. The strike was followed by an unprecedented margin squeeze in the second quarter as a result of surging fuel costs—up 50% since the beginning of the year—without rate relief. Moreover, the impact of the labor settlement—a 10% increase in wage and related costs in the first year—was not fully offset by the 5.5% freight rate boosts authorized in April. But a turning point was reached when, repeating the experience of 1974, the strikes by the owner-operators in June, nationwide in scope, resulted in the recent approval of fuel surcharges of 7% for truckload (TL) traffic and 2.7% on less-than-truckload shipments, or about 4% on average for the big LTL-oriented carriers. This surcharge was adjusted weekly where today it is at 10.0% for TL and 1.8% for LTL, averaging about 4% for general commodities carried.

Threat of Deregulation

Over the last few years, motor carrier shares have been badly hurt by investor fears of possible negative effects from proposed "deregulation" of the industry. We have studied the deregulation issue carefully and have established direct contacts with all major participants in the change-making process. We believe that

over the longer term, regulation of the motor carriers will ease and be modernized, with emphasis on providing easier entry and more competition. We also believe that the rail industry will come first and should be watched by motor carriers to anticipate the likely course of events. However, we do not believe there will be deregulation because, by and large, shippers (who after all use the system) do not want to compete on the basis of transportation costs differentials but do want some form of regulation to assure guaranteed equal access to the marketplace at equal prices. We do not fear the outcome if a representative cross section of shippers, workers, management and suppliers of capital are all heard from along with other interested public interest groups in legislative and regulatory process. To do otherwise would be illegal. And such a process now seems assured by Senator Cannon's action.

Shippers' Views Will Count

As I have stated deregulation of the freight transportation industry is unlikely because shippers for the most part are comfortable with the status quo; indeed, regulation of transportation rates and services assures the users of the transportation system access to their markets on relatively equal terms with their competitors. Nonetheless, I believe regulatory reforms and modernization will be phased in carefully over time with the shippers' views dominating the changes. Since there is nothing like a little direct evidence to confirm one's views, I have included a special report by the Shippers National Freight Claim Council, Inc., a nationwide movement intent on reducing transit losses and improving freight claim procedures that represents a broad cross-section of shippers.

Special Report on Deregulation of the Trucking Industry

On Monday, December 4, 1978 a meeting was held in Washington to exchange views on the deregulation of the trucking industry as proposed by the ICC and DOT. The alleged purpose of the meeting was to furnish input for the DOT's recommendations to the President due on December 15. The most surprising development at the meeting was the unanimous opposition of shippers to substantial change in the regulatory system! Following is a summary of the arguments advanced by the DOT, and the shippers' rebuttal thereto:

DOT Position: More competition by freer entry will force rates downward.

Shippers' Answer: *It hasn't done so in the deregulated air cargo industry! Nor did free entry in the trucking of frozen fruits and vegetables in 1956 produce such a desirable result. After several years of free entry and no rate control, the shippers pleaded with Congress to end the chaos and regulate the truckers again. The Transportation Act of 1958 resulted, giving "grandfather" rights to those carriers and restoring ICC control over rates.*

DOT Position: Truckers' return on investment is too high for a low-risk industry.

Shippers' Answer: *There aren't many truckers left in business to testify to the risks involved in trucking operations. This whole argument is textbook theory. To LTL shippers, the regulated motor carrier*

industry means: (a) Reliable service for 75%-80% of their shipments; (b) Service to every small community in the country; and (c) Responsibility to shippers for losses.

DOT Position: Perhaps only truckload traffic should be exempt from regulation, since truckers have told the DOT they don't want full truckloads!

Shippers' Answer: *This is difficult to believe, as truckers top-load full truckloads with LTL traffic for increased efficiency. Carriers need a broad base of traffic in order to conduct profitable operations. Weakened carriers will succumb to larger carriers and soon monopolies will result, all to the disadvantage of the shipping public.*

DOT Position: The public will be better protected by antitrust laws than by existing regulatory agency regulation.

Shippers' Answer: *Shippers need the rate conference system where they have a forum for objecting to and negotiating changes and increases in rates, rules and classifications. They get better and faster protection now than they would if no two carriers could discuss rates at public hearings and The Antitrust Division of Justice had to be relied upon to prosecute every act of rate-fixing, etc.*

Furthermore, shippers want stable rates and the nationwide coverage that results from the network of rate conferences throughout the country. Without the present system of uniform, controlled rates, the entire system will break down, to the shipping public's disadvantage.

In another recent study entitled "Transportation Regulation: Views of Participants"¹ by Messrs. Roger E. Jerman, Ronald D. Anderson, and James A. Constantin, the message was:

¹Appeared in *MSU Business Topics*, Vol. 27, No. 2, Spring 1979, p. 24-32.

"Deregulators claim that regulated transportation makes exorbitant profits, lacks competition, and is an industry sheltered from the economic realities of life. Regulators hold that transportation is a public service and is being efficiently performed within the present framework. The buyers and sellers of transportation services at the operations level who responded to this study agreed with the regulators. Of course, these findings cannot be generalized to all managers involved in transportation. However, it would seem that the views of the people who work in the trenches should be weighted at least as heavily as those of the nonparticipants who clamor for deregulation.

It is ironic that while deregulation of transportation is sought, the regulation of business in general is increasing dramatically. It is possible that both sides are missing the point. They are debating the basics of economic interference by regulatory commissions. Probably more important is what can be labeled noneconomic regulation. Examples would be equal opportunity employment, OSHA safety restrictions, airport noise restrictions, and hazardous material regulations. A new wave of this type of regulation began in 1962. The nature of the new rules and the structure of the rulemaking bodies cause as many problems as does the proliferation of rules."

Tables 6 and 7 are based on questionnaire responses received largely from individuals who have responsibilities at the operations level as either a shipper or a carrier.

Table 6

Response Summary On Regulatory Procedures

	Carrier Agree	Uncertain	Disagree	Shipper Agree	Uncertain	Disagree	Position Carrier	Shipper
Abolish Regulation of Rates by ICC	13.0%	10.4%	76.7%	10.3%	8.9%	80.8%	Disagree	Disagree
Eliminate Bureau Rate Making	13.4	13.1	73.6	18.1	17.7	64.2	Disagree	Disagree
Rate Bureaus Protect Least Efficient Carriers	30.9	15.1	54.0	50.9	13.2	35.9	Disagree	Agree
Accept Zone-of-Reasonableness Concept	48.0	27.9	24.1	58.8	21.5	19.7	Agree	Agree
Combine Regulatory Agencies Into A Single Unit	42.1	14.6	43.3	47.8	17.5	34.7	Uncertain	Uncertain
Carrier Accounting Practices Can Lead To Deception	68.1	17.4	14.6	81.2	15.3	3.6	Agree	Agree

Table 7

Response Summary On Entry Control

	Carrier Agree	Uncertain	Disagree	Shipper Agree	Uncertain	Disagree	Position Carrier	Shipper
Remove Entry Controls	5.4%	2.5%	92.1%	5.0%	2.5%	92.5%	Disagree	Disagree
Liberalize Regulations Governing Contract Carriers	14.7	8.8	76.4	43.5	18.7	37.8	Disagree	Uncertain
Regulate the Owner-Operators	75.1	11.4	13.5	53.6	17.3	29.2	Agree	Agree
Allow a Subsidiary to Act as a Private Carrier	16.3	19.4	64.4	59.1	20.4	20.5	Disagree	Agree
Expand Exempt Commercial Zones	53.0	19.9	27.1	64.4	23.8	11.8	Agree	Agree
Allow Railroads to Form New Transportation Companies	25.5	12.3	62.2	41.2	13.5	45.2	Disagree	Uncertain
New Transportation Companies Would Stifle Competition	57.3	10.1	32.7	42.3	16.0	41.6	Agree	Uncertain
New Transportation Companies Would Reduce Rates	24.6	27.8	47.6	22.4	29.2	48.4	Disagree	Disagree

The Industry's Workers Opinion Will Also Carry a Heavy Weight in the Process Regulatory Change

The Teamsters are angry about various deregulation moves initiated by the Interstate Commerce Commission (ICC) without taking into account the Union's comments on these far-reaching changes. In a protest to ICC Chairman O'Neal, Union President Fitzsimmons charged that the effect of this interference would be to place a "totally unwarranted cloud over our bargaining proceedings and to adversely affect our ability to obtain from the trucking companies fair wages and benefits for our members." He noted: "I cannot think of anything more calculated to interfere with wage negotiations."

Mr. Fitzsimmons also sent a letter to President Carter on January 6, 1979. Frustration was the underlying tone, brought on by the unmistakable anti-labor and anti-worker bias manifested under the leadership of Mr. O'Neal. There was also a feeling of callous disregard for the multitude of Union members who are vital to the trucking industry. The following paragraphs exemplify this scenario:

Our Union strongly opposed the proposal to grant to shippers the right to engage in regulated as well as private carriage. The plan would benefit big shippers at the expense of carriers having an obligation to serve the public. There will be serious and adverse effects if big shippers are permitted to take back-haul traffic away from the backbone of our transportation system on which the public relies for service. This O'Neal-sponsored change can only result in taking business from common carriers and jobs from their union employees.

We pointed out that granting rate increases based on the return of carriers paying the cheapest wage scale would penalize carriers paying decent wages. We urged that increases should not be keyed to rates of return inflated by inadequate

maintenance and substandard wages. Of course, Mr. O'Neal led the Commission into the shippers' camp and slashed the rates published by the industry. The list goes on and on. Mr. O'Neal rejects any evidence, any judgment that will not favor big shippers. Our Union has encountered a "damn the consequences, full speed ahead" attitude toward deregulation.

In our judgment, there was an unmistakable linkage between the success of President Carter's anti-inflation program, the Teamster negotiations and our expectation of reasonable rate regulation and a fair approach to longer-term regulatory revisions and reform as opposed to haphazard deregulation of this vital industry. More importantly, we believe that the ICC, however political and desperate at the moment, will remain in control and that it will, because of the marginal financial health and essential public service nature of the industry involved, grant the motor carriers adequate freight rate increases this year and beyond.

Longer term, we believe events will justify our conclusion that while there will be some regulatory changes (both positive and negative) phased in carefully through the legislative process, the outcome will still permit the large, well-entrenched, high-service LTL carriers to continue to grow pretty much as expected. The high-service, well-managed LTL systems will continue to do quite well under any reasonable circumstances of either equitable regulation or deregulation, in our judgment. Thus, in our view, investor concerns about deregulation have been overblown. And, now the ICC, under the political pressure of the owner-operators' strikes, has apparently recognized the sad economic realities of trucking and returned to reasonable rate regulation.

The Challenges of the Year Ahead: Fuel Prices, Availability and an Economic Recession

We believe the most significant factors in the industry's prospects—and in the future performance of motor carrier stocks—should be fuel availability, prices and earnings achievements in a recessionary environment.

As to fuel availability, we believe that the motor carriers play such a vital role in distributing consumer goods to retail establishments and manufactured items to the nation's assembly lines that their requirements will be met, as always. Of course, a fuel-cost-related rate surcharge mechanism is a necessity, to prevent a squeeze on margins. That mechanism is now in place.

As far as profit performance in a recession is concerned, in earlier downturns, the leading well-managed motor carriers have always been able to come through periods of economic contraction with earnings flat to up. This may be as a result of the recession-resistant characteristics of LTL freight, well-planned and timely acquisition and expansion moves, the volume variability of most costs, including labor, and prompt freight rate adjustments. This time these same factors should all come into play. However, because of the depressed level of 1979 profits, which we believe will be 15%-20% below the carriers' true potential due to the Teamsters' strike and second-quarter margin squeeze, it appears the leading LTL trucking companies will be able to post profit gains in 1980 despite the recession.

The recent rate actions and fuel surcharges as well as the 5.5% labor-related increases granted in April will raise revenues by 11.5%-13.0% year-to-year in the second half of this year and in the first half of 1980 versus rate increases of only 6.5%-7% in the first half of 1979, when a

major margin squeeze occurred. As a result, motor carriers' second-half 1979 and 1980 margins are expected to improve.

The leading motor carriers' positive earnings comparisons would provide a marked contrast to the expected behavior of corporate profits in general and should benefit the market performance of the companies' stocks. Although the risks involved in the outlook for the motor carrier industry may seem particularly difficult to assess at this point, we believe that this is a time of major investment opportunity, as far as the leading LTL carriers are concerned. Their shares are currently selling at super-depressed levels, and we see potential for significant appreciation as investors' concerns over unreasonable regulation and deregulation prove exaggerated, as we now expect. I also favor, some smaller, distribution carriers operating in the east or southeast.

A Message to Management

As a motor carrier industry analyst it became necessary for me in the last several years to be in direct contact with all the "changemakers" in the motor carrier regulatory environment in order to gain a better perspective for the outlook for motor carrier stocks. As a result of my research, I have gained some additional insights about the challenges facing the industry and in summary will address myself to you, the managers of shareholders' properties.

I believe that now, more than ever, managements must attain the highest level of service to satisfy customer's expectations. Shippers will have an ever increasing voice in determining the changes in your operating environment and thus will play a role in your future commercial success.

At the same time, it is also critical to achieve the best financial performance for shareholders. The owners of your business cannot be confronted with internal problems at a time when external government actions might adversely affect their investments. Internal problems, especially now, could result in serious withdrawal of capital from the affected companies.

I believe it is critically important for managements to get involved with the ICC, especially the new Commissioners and new staff members in key positions who are eager to change the rules. To the extent it is legal, I urge you to educate the ICC, keep them informed on facts, problems and support your positions in areas of proposed changes by the best factual evidence. You must participate of course in all of the "rulemaking proposals" that currently involve all industry segments and address themselves to entry and ratemaking regulatory changes. This rule making could be used as material in the legislation process. Finally, you must vigorously litigate the Commission's decisions, which are interpreted to be illegal.

From my viewpoint, I believe that the ICC was going through a "blitzkrieg" of regulatory changes in the year ahead, interpreting the mandate of the Interstate Commerce Act more liberally, and responding to political pressures to deregulate from the Carter Administration and Senator Kennedy. This intended report was thwarted by Senator Cannon's action.

Legislation to achieve various regulatory reforms was introduced by President Carter and cosponsored by Senator Kennedy in June. This bill—entitled The Trucking Competition and Safety Act of 1979—is currently in the initial round of hearings. In my opinion the bill is not expected to make much headway in an election year.

In a significant move, Howard W. Cannon (D.-Nev.), chairman of the Senate Commerce, Science and Transportation Committee, has bluntly told the Interstate Commerce Commission (ICC) to halt its headlong rush to deregulate motor carriers. According to Cannon, the ICC's administrative actions are based on false interpretations of a deregulation mandate from the Congress. The Senator has commented as follows on recent ICC actions:

"... we are mad as hell, and we're not going to take it anymore. It is time that the agencies began to listen to the Congress, and it is time for the Congress to be much more explicit in the direction that it believes Federal agencies should be moving... We also expect the ICC to act within the

statutory framework and respect the intent of Congress; the Congress does not expect any independent agencies to act in 'novel' ways to achieve their own special goals. Nor do we expect agencies to act in areas which we have clearly indicated Congress will address in the near future. It is not the responsibility of the regulatory agencies to determine how the American economy should operate on a day-to-day basis. Such broad policy decisions will be for Congress to decide and the agencies to implement. If there is no misunderstanding as to our roles, I am confident that our partnership can be an effective one. In the motor carrier area, there must now be a timetable for Congressional action that is both realistic and one upon which all parties can rely. In announcing such a timetable today, I want to make it clear that it is one that has been reached after extensive consultation between the Senate Commerce Committee and the House Public Works Committee. It is one that both Committees can live with. It is responsive to the needs of those businesses affected by regulation of transportation to know once and for all what the future of transportation regulation will be in this country over the next few years. It is my personal goal to see that legislation expressing the will of the Congress is on the desk of the President of the United States no later than June 1, 1980. This will require a major commitment of time and resources to deal with the multitude of issues that have been raised. However, I am convinced that it can be done..."

We believe all the interested parties—shippers, carriers, labor highway safety organizations, industry—will have ample opportunities to voice their opinions. Management might be able to affect changes beneficial to shareholders and at the same time will have an opportunity educating the legislator on other matters that might be well intended but not serve the public interest. You are the participants in the industry: You, your customers and employees, not the politicians or theoreticians should have the strongest voice in shaping the future.



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Security Analyst Appraisal
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